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LEGISLATIVE HISTORY

Public Law 820--80th Congress

Chapter 718--2d Session

S. 2376

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# DIGEST OF PUBLIC LAW 820

AGRICULTURAL COMMODITIES REVOLVING FUND. Authorizes the Army Department to issue notes to establish a revolving fund of $150,000,000 for the purchase of natural fibers (including cotton waste) produced in the U. S. to be processed in occupied areas and sold; authorizes the purchase of such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; provides that in the case of wool, mohair, or flax fiber, only these types and grades shall be purchased under this Act as USDA designates as available for export, and stock held by CCC of the types and grades so designated shall be purchased before other purchases are made of such types and grades; and requires the Army Department to report annually to Congress on the status of the fund.

INDEX AND SUMMARY OF HISTORY ON S. 2376

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| March 24, 1948 | S. 2376 was introduced by Senator Aiken and Others and was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced. |
| March 25, 1948 | Hearings: Senate. S. 2376. |
| April 6, 1948 | Senate Committee reported S. 2376 with an amendment. Senate Report 1099. Print of the bill as reported. |
| April 12, 1948 | S. 2376 passed over in the Senate. |
| April 22, 1948 | S. 2376 was discussed and passed Senate as reported. |
| April 26, 1948 | S. 2376 was referred to the House Committee on Armed Services. Print of the bill as referred. |
| May 10, 1948 | Hearings: House, S. 2376. |
| | S. 2376 was discussed in the House. |
| May 24, 1948 | Hearings: House, S. 2376. |
| June 9, 1948 | House Committee reported S. 2376 with amendments. House Report 2268. Print of the bill as reported. |
| June 14, 1948 | S. 2376 was discussed in the House. |
| June 18, 1948 | S. 2376 was discussed and passed the House as reported. |
| June 19, 1948 | Senate concurred in the House amendments. |
| June 29, 1948 | Approved. Public Law 820. |

80TH CONGRESS
2D SESSION

# S. 2376

IN THE SENATE OF THE UNITED STATES

MARCH 24 (legislative day, MARCH 15), 1948

Mr. AIKEN (for himself, Mr. KEM, Mr. ROBERTSON of Wyoming, Mr. EASTLAND, Mr. STENNIS, Mr. HOEY, Mr. MAYBANK, Mr. MCFARLAND, Mr. STEWART, Mr. RUSSELL, Mr. ELLENDER, Mr. THOMAS of Oklahoma, Mr. MALONE, Mr. THYE, Mr. DOWNEY, Mr. WHERRY, Mr. JOHNSON of Colorado, Mr. WATKINS, Mr. GEORGE, Mr. HATCH, Mr. DWORSHAK, Mr. ECTON, Mr. CONNALLY, Mr. SPARKMAN, Mr. HILL, Mr. UMSTEAD, Mr. JOHNSTON of South Carolina, Mr. FULBRIGHT, Mr. O'DANIEL, Mr. MCCLELLAN, Mr. HOLLAND, Mr. PEPPER, Mr. MCKELLAR, Mr. MURRAY, Mr. THOMAS of Utah, Mr. MCCARRAN, Mr. YOUNG, Mr. LANGER, Mr. BUTLER, Mr. CHAVEZ, and Mr. OVERTON) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

# A BILL

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That there is hereby created a fund to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) and hides produced in the

United States, and such other materials including starch, dyestuff, roller leather and card clothing as may be used in processing and finishing such fibers and hides; (b) transporting such fibers, hides, and other materials to occupied areas, making them available for processing, and having such fibers and hides processed in such areas; (c) insuring such fibers, hides, and materials and the products obtained from such processing; and (d) selling products obtained from such processing. For the purpose of this Act an occupied area shall be considered as any area occupied by United States forces within an enemy country and with respect to which a treaty of peace shall not have been ratified and confirmed.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold, and so much of the proceeds of sale will be returned to the fund, as is necessary to cover

(1) all amounts expended from the fund in connection

with such commodity plus (2) interest of $2\frac{1}{2}$ per centum per annum on each such amount for the period from the time of its expenditure to its return to the fund.

The interest paid into the fund as provided in clause 2 shall be transferred periodically from the fund to miscellaneous receipts of the Treasury.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent provided by section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be carried to the surplus fund of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to provide the amounts specified in clauses (1) and (2) of section 2 of this Act, and (b) shall cover the proceeds from such sales into the Treasury as miscellaneous receipts.

SEC. 5. Fibers, hides, and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary may sell such product for a lesser amount; but insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. There is authorized to be appropriated to the Secretary of the Army the sum of $150,000,000 to constitute the fund.

SEC. 8. In providing for the performance of any of the functions described in section 1 the Secretary shall to the maximum extent feasible utilize private channels of trade.

80TH CONGRESS
2D SESSION

# S. 2376

# A BILL

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

By Mr. AIKEN, Mr. KEM, Mr. ROBERTSON of Wyoming, Mr. EASTLAND, Mr. STENNIS, Mr. HOEY, Mr. MAYBANK, Mr. MCFARLAND, Mr. STEWART, Mr. RUSSELL, Mr. ELLENDER, Mr. THOMAS of Oklahoma, Mr. MALONE, Mr. THYE, Mr. DOWNEY, Mr. WHERRY, Mr. JOHNSON of Colorado, Mr. WATKINS, Mr. GEORGE, Mr. HATCH, Mr. DWORSHAK, Mr. ECTON, Mr. CONNALLY, Mr. SPARKMAN, Mr. HILL, Mr. UMSTEAD, Mr. JOHNSTON of South Carolina, Mr. FULBRIGHT, Mr. O'DANIEL, Mr. MCCLELLAN, Mr. HOLLAND, Mr. PEPPER, Mr. MCKELLAR, Mr. MURRAY, Mr. THOMAS of Utah, Mr. MCCARRAN, Mr. YOUNG, Mr. LANGER, Mr. BUTLER, Mr. CHAVEZ, and Mr. OVERTON

MARCH 24 (legislative day, MARCH 15), 1948
Read twice and referred to the Committee on Agriculture and Forestry

# REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES

## HEARINGS

BEFORE THE

## COMMITTEE ON AGRICULTURE AND FORESTRY

## UNITED STATES SENATE

EIGHTIETH CONGRESS

SECOND SESSION

ON

## S. 2376

A BILL TO PROVIDE A REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS TO BE PROCESSED IN OCCUPIED AREAS AND SOLD

MARCH 25, 30, AND 31, 1948

Printed for the use of the Committee on Agriculture and Forestry

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GOVERNMENT PRINTING OFFICE
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# REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES

THURSDAY, MARCH 25, 1948

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
*Washington, D. C.*

The committee met, pursuant to notice, at 2 p. m., in the District of Columbia room of the Capitol, Senator Arthur Capper, chairman, presiding.

Present: Senators Capper (chairman), Aiken, Young, Thye, Kem, Thomas, Stewart, Hoey, and Pepper.

Also present: Senator Eastland.

The CHAIRMAN. The meeting will come to order.

This is a hearing of the Senate Committee on Agriculture and Forestry. We are in session over here because it is more convenient for the members of the Senate Committee on Agriculture, and the bill we have before us is Senate 2376, a bill to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

(S. 2376 is as follows:)

[S. 2376, 80th Cong., 2d sess.]

A BILL To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That there is hereby created a fund to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) and hides produced in the United States, and such other materials including starch, dyestuff, roller leather and card clothing as may be used in processing and finishing such fibers and hides; (b) transporting such fibers, hides, and other materials to occupied areas, making them available for processing, and having such fibers and hides processed in such areas; (c) insuring such fibers, hides, and materials and the products obtained from such processing; and (d) selling products obtained from such processing. For the purpose of this Act an occupied area shall be considered as any area occupied by United States forces within an enemy country and with respect to which a treaty of peace shall not have been ratified and confirmed.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold, and so much of the proceeds of sale will be returned to the fund, as is necessary to cover (1) all amounts expended from the fund in connection

with such commodity plus (2) interest of 2½ per centum per annum on each such amount for the period from the time of its expenditure to its return to the fund.

The interest paid into the fund as provided in clause 2 shall be transferred periodically from the fund to miscellaneous receipts of the Treasury.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent provided by section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be carried to the surplus fund of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to provide the amounts specified in clauses (1) and (2) of section 2 of this Act, and (b) shall cover the proceeds from such sales into the Treasury as miscellaneous receipts.

SEC. 5. Fibers, hides, and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary may sell such product for a lesser amount; but insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. There is authorized to be appropriated to the Secretary of the Army the sum of $150,000,000 to constitute the fund.

SEC. 8. In providing for the performance of any of the functions described in section 1 the Secretary shall to the maximum extent feasible utilize private channels of trade.

The CHAIRMAN. It was introduced by Senator Aiken, and quite a large number of Senators, mostly from agricultural parts of the country.

I have here a letter from Secretary Royall of the Army Department concerning this legislation in response to our request for his comments. He has written us a very interesting letter, and I think maybe you would like to hear it.

It is addressed to the chairman, and reads as follows:

DEAR SENATOR CAPPER: In accordance with your request, herewith is report on inclosed draft of bill to provide a revolving fund for the purchase of agriculture commodities and raw materials to be processed in occupied areas and sold. This bill was not sponsored by the Department of the Army, but the Department favors enactment of the proposed legislation subject to changes hereinafter indicated.

The purpose of the proposed legislation is to make available to the Secretary of the Army or his duly authorized representative a revolving fund for the purchase of natural fibers and hides to be transported to the occupied areas and processed. Of the processed materials a sum sufficient to repay the withdrawals from the fund, plus interest at the rate of 2½ percent per annum, is to be returned to the fund in United States dollars. Any surpluses which may accrue beyond the amounts required to repay withdrawals from the fund, plus interest, shall be disposed of by the Secretary of the Army in such a manner as he deems fit for the benefit of the economy of the occupied area. Provisions in the bill also provide for sale of completed products in the event of a peace treaty,

or if it shall appear that the products cannot be sold for the amount of funds expended, the products may be sold for a lesser amount but, insofar as possible, not less than the costs.

There are two changes recommended by the Department of the Army:

(*a*) It is recommended that section 1 (d) be changed to read as follows:

"(d) Selling products obtained from such processing: For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States Forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives, provided that a treaty of peace shall not have been ratified and confirmed for such an area."

This change is requested so that the materials procured for processing may be processed in liberated areas as well as in occupied enemy areas and makes provision for a situation such as exists in Bizonal Germany.

(*b*) It also is recommended that section 2 (b) be changed to read as follows:

"(b) So much of the products obtained from such processing will be sold under such terms and for such currencies as may be necessary to accomplish the purposes of this Act, and so much of the proceeds of sale will be returned to the fund in United States dollars, as is necessary to cover (1) all amounts expended from the fund in connection with such commodity plus (2) interest of 2½ per centum per annum on each such amount for the period from the time of its expenditure until its return to the fund."

The purpose of this change is to permit sales, when believed necessary, in currencies other than dollars. Subsequently, through trading transactions, such currencies would be converted into dollar proceeds, to the extent necessary, to repay funds withdrawn from the revolving fund.

The Department of the Army supports this legislation in order that fibers, hides, and other materials may be made available for processing in the occupied areas. The occupied areas and the Department of the Army now have only very limited funds for financing such operations. Within the limits of dollars available in world markets for repayment of textiles and other products, it is believed that funds made available by the proposed bill would assist materially in reestablishing certain industries of the occupied areas and assist in achieving the objectives of the occupation.

The total sum of funds advanced at any one time under this bill shall not exceed the amount of the appropriation; namely, $150,000,000.

Due to time limitations, Bureau of the Budget clearance on this legislation has not yet been received.

KENNETH C. ROYALL,
*Secretary of the Army.*

Our first witness is W. P. Jacobs, president of the American Cotton Manufacturers Association, who resides at Charlotte, N. C.

## STATEMENT OF W. P. JACOBS, PRESIDENT, AMERICAN COTTON MANUFACTURERS ASSOCIATION, CHARLOTTE, N. C.

Mr. JACOBS. Mr. Chairman, my name is William P. Jacobs, president of the American Cotton Manufacturers Association, Charlotte, N. C., which comprises the cotton mills in the Southern States.

I am not a representative of the farmers or of the Army or the Department of Agriculture. I am in the strange position of appearing to suggest to you the founding of a revolving fund to assist in rehabilitating our international competitors, but that is exactly what I am doing.

I have just returned from Tokyo.

Senator EASTLAND. You mean textile competitors.

Mr. JACOBS. Textile competitors; yes.

I have just returned from Tokyo, where at the invitation of General MacArthur I went with two other gentlemen to assist him in the adoption of plans and programs to facilitate the sale of Japanese textiles throughout the world.

The CHAIRMAN. You say General MacArthur?

Mr. JACOBS. Yes, sir.

The CHAIRMAN. He is all right.

Mr. JACOBS. I found him a very likeable gentleman.

We found in our conferences with the general certain circumstances which the general felt and I felt should be brought to your attention, circumstances which necessitate some congressional action.

The circumstances have arisen out of an international situation in which Japan in trying to sell its textiles in the oriental and African colonial territories which are in what is commonly known as the sterling area.

The CHAIRMAN. Would you explain that more fully.

Mr. JACOBS. The sterling area, as I understand it, is a group of countries which deal very largely in pounds sterling. It is formed under the British influence for the purpose of preserving the few remaining dollars which the countries that operate on sterling have in their treasuries.

Its primary purpose, as I understand it, is to pool their dollars and allow them to be spent only under special consent for items which were of unusual importance.

Last August, as I understand it, the sterling areas also decreed that sterling should not further be used for conversion into dollars without the consent of the sterling area. The result of that restriction set by the sterling area has been a closing of oriental and colonial markets for Japanese goods.

As a consequence, we have a difficulty in the financing of the raw materials for the production of Japanese textiles.

From the beginning SCAP as Supreme Command, Allied Powers, in Toyko have been financing each purchase of raw materials for their cotton-textile industry by special efforts which have been made. A most noteworthy effort was a loan from the Commodity Credit Corporation for the purchase of American cotton. That loan had a limitation that all of the goods made from that cotton would have to be sold for dollars and not for sterling. So it ran right into the face of this limitation set by the sterling area, and it found no market as a result.

That is the first condition which we faced when we reached Tokyo.

The CHAIRMAN. How long were you over there?

Mr. JACOBS. We were in Tokyo about 2 weeks, sir, and have been back about 3 or 4 weeks. Everyone reported the same condition to us, that something was needed to be done, to finance the purchase of raw materials.

It is our belief, and the belief of this mission that went to Tokyo that something perhaps should have been done in the beginning to set up a revolving fund for the purchase of raw materials so as to relieve the agents of the Government, that is the Army or the Supreme Command, Allied Powers, to relieve them from the embarrassment of having doors closed in their faces by world markets through such limitations as were set by the sterling area.

We submitted 16 suggestions to General MacArthur and the first of these suggestions which he approved heartily was that we bring back a message to you that they are greatly in need of a revolving fund for the financing of the purchase of raw materials.

The CHAIRMAN. Under whose direction would that be expended?

Mr. JACOBS. I have no suggestion, but automatically it would have to be expended under the directions of the Army, who are occupying, but you may wish to have it cleared through some other governmental agency. I have no suggestion to offer on that, sir.

I am thinking only in terms of the need, not in terms of the mechanics of the loan.

Any revolving fund which is set up obviously should be repaid as the goods are sold, and the funds should come back into the fund, and ultimately to the United States Treasury.

The CHAIRMAN. So there would be no difficulty about selling the goods, then?

Mr. JACOBS. There will be no difficulty about the selling of the goods, if you set up a revolving fund which gives SCAP the authority and the latitude of action which will enable them to dispose of the goods.

If you tie their hands, as they were tied in the case of the contract with the Commodity Credit Corporation, then you will have the same difficulty that they have now.

The CHAIRMAN. What kind of goods will be made from these fibers?

Mr. JACOBS. Primarily goods which would normally find a market in the Orient, such as the dhoti that the Indians wear, the long coats that they wrap around themselves, various types of loin cloths and shorts and other types of simple clothing worn by the natives throughout the Orient and in Africa.

The CHAIRMAN. They do not have much in the way of clothing.

Mr. JACOBS. Not very much, sir. As a matter of fact, they are wearing, I believe, less today than they have worn for a long time.

Senator EASTLAND. Japan was historically one of the biggest spinners of wool, was it not?

Mr. JACOBS. Yes, sir.

Senator EASTLAND. They can spin the stocks that the Commodity Credit Corporation now has. They have no wool stocks to spin.

Mr. JACOBS. They are badly in need of wool stocks today.

We believe that a revolving fund set up by Congress will be far superior to a fund given as a charitable gift. We believe it will finance itself. We believe it will be sound business, and we believe it will speed up the time when the Japanese industry will get back on its feet.

The CHAIRMAN. General MacArthur, did he seem to be favorable to this?

Mr. JACOBS. Yes, sir; he is favorable to it. We take the word from the Army that $150,000,000 is the approximate amount that would be needed.

Senator. I could talk on at length about our findings there, collateral themes, but I have given you our major reasons for making these recommendations.

I would like very much for the Senators to ask me any questions which they have to ask.

We believe that it is an unusual position for the American textile industry to be in, to come here to ask you to set up a fund to finance the purchase of cotton for the farmers, to rehabilitate an industry which has been one of our chief competitors prior to the war in the textile industry.

Senator THOMAS. I wish you would give us information for the record on the status of the cotton industry throughout the world. I mean the raw products. What countries, first, produce raw cotton?

Mr. JACOBS. The United States first; second, India, I think.

Senator THOMAS. Can you give us the specific amounts, approximately?

Mr. JACOBS. I cannot from memory, but I have the information in my bag, and I will be glad to get it for you.

The CHAIRMAN. Which country is second?

Mr. JACOBS. India, largely Pakistan. Third is Egypt, fourth is Brazil, and then there are 10 or 15 smaller countries with much smaller and insignificant amounts.

Senator THOMAS. Does Russia produce any?

Mr. JACOBS. Yes. I beg your pardon. Russia comes ahead of Brazil, maybe ahead of Egypt. Russia is in third position, I understand.

Senator THOMAS. If you can, give us the status of the present supply of cotton throughout the world. I saw in the paper not long ago it was about 24,000,000 bales at this time. Is that approximately correct?

Mr. JACOBS. I have not made a capital study of that.

Senator THOMAS. Could you give us information on that score?

Mr. JACOBS. I will be very glad to get that information later but I do not have it now.

Senator THOMAS. How much cotton have we in this country at the present time, if you know?

Mr. JACOBS. Senator, if you will allow me, it may be a little informal for your program but, I would like to ask Mr. Reed Dunn, of the National Cotton Council, to answer those questions. Would you mind Mr. Dunn answering those questions?

The CHAIRMAN. State your name and official position.

## STATEMENT OF REED DUNN, FOREIGN TRADE DIRECTOR, NATIONAL COTTON COUNCIL, WASHINGTON, D. C.

Mr. DUNN. My name is Reed Dunn. I am foreign trade director for the National Cotton Council.

The CHAIRMAN. How long have you been associated with them?

Mr. DUNN. I have been associated with them directly and indirectly for about 10 years, Senator, except for the time of the war.

The CHAIRMAN. How is the cotton industry going, generally speaking?

Mr. DUNN. The cotton industry in the United States?

The CHAIRMAN. In the whole world.

Mr. DUNN. Well, on the world basis, the most significant aspect of the cotton situation is that we have reduced the stocks which were surplus at the end of the war to a level that is pretty comfortable at the present time, but no longer can be considered surplus.

At the end of the war, there was in the world about 28,000,000 bales of cotton. In a period of less than, slightly less than 3 years, we have cut that in half. At the end of this season we expect that the world stocks of cotton will be down around 14,000,000 bales.

Senator THOMAS. What do you mean, the end of the season, the 1st of July?

Mr. DUNN. July 31, 1948.

Senator THOMAS. Where will that cotton be located at that time?

Mr. DUNN. I could give you all of this from our records, Senator. I am speaking from memory, so that these figures will be round figures.

Senator THOMAS. That will be all right, so far as I am concerned.

Mr. DUNN. We will carry over in the United States between 3 and 3¾ million bales of cotton. That is of the 14,000,000. And in the other producing countries, the carry-over will be small; probably no more than a million and a half bales in all of the other producing countries. This is exportable surplus, not including mill stocks, but mill stocks in other producing countries are quite small. India is the only one that carries a sizable stock, and that might be a million bales of mill stock in India.

The CHAIRMAN. How is the condition of the industry? How does it compare at this time with previous years?

Mr. DUNN. The cotton textile industry in the United States, Senator, is spinning today at the rate which it spun in 1942. It is the highest in any time since 1942. The rate of consumption at the present time is about 9,000,000 bales a year. That is slightly less than last year, almost equal to consumption the year before that.

The CHAIRMAN. Is there an abundance of cotton in the world today?

Mr. DUNN. I would not call it an abundance, Senator. There is enough cotton in the world today. Next year the consumption of cotton in the world will probably be limited by the supplies of cotton in the world. To put it quite pointedly, the world this year will consume about 28,000,000 bales of cotton. This year we produced about 28,000,000 bales of cotton.

We will not be able to eat out of those carry-over stocks any longer, because there is no surplus in the carry-over. It is just sufficient for working stocks. The surplus will be in very short Indian cottons, three-fourths and shorter, and in very long Egyptian cotton, 1⅜ inches and longer, and they do not add up to but a million bales.

Senator EASTLAND. Of course, by the laws of mathematics, we have a big cotton crop coming on in the United States in 1948.

Mr. DUNN. Yes, sir.

Senator EASTLAND. We have to find exports outlets.

Mr. DUNN. Yes, sir. Thank you, Senator, for mentioning that.

What we have to look to is next year. Our crops for the last 3 years have been small. This coming year we expect to be larger than they have been since before the war. You see, we are still down much below the prewar average production.

Senator EASTLAND. It will increase, will it not, because you have much more acreage, labor, and much more machinery?

Mr. DUNN. Yes, sir.

Senator EASTLAND. In cotton-producing areas, than you had heretofore?

Mr. DUNN. Yes, sir.

Senator THOMAS. A couple of years ago we only produced about 8½ million bales, and the price went up perceptibly, and that caused a stimulation in the cotton production in this country, and last year, 1947, we raised 11½ million bales.

Now the price is still about the same. Do you not think that will stimulate additional production this year?

Mr. DUNN. It certainly will.

Senator EASTLAND. Around 14,000,000 bales we will spin about 9,000,000 in this country; will we not?

Mr. DUNN. Yes. We have anticipated that consumption in this country will be around 9,000,000 bales, as long as national income is up about to the 200,000,000,000 level and employment around 60,000,000 level.

Mr. JACOBS. I think it is well to remember, Senators, that Japan was the first and largest foreign customer of the American cotton farmer prior to the war. At that time they were operating something over 12,000,000 spindles. Today they are operating only 1,800,000 spindles.

The CHAIRMAN. How do you explain that?

Mr. JACOBS. Some of those spindles were killed, were destroyed by bombs, during the war. Others were dismantled for war purposes to get steel for armor plate, and what have you, and then still another group of spindles remained standing; and they are standing today. They have 2,900,000 standing, 1,800,000 operating, and before the war they had 12,000,000.

The CHAIRMAN. The situation must be pretty tough on them; is it not?

Mr. JACOBS. Yes, sir. They do have a great many handicaps, and they are going to be slow getting back on their feet. They have a program which involves the increase in their productive capacity to about 4,000,000 spindles, and they hope to reach that by 1950. Some experts have told me that they doubt whether they will reach it before 1952 or 1953.

The CHAIRMAN. Does not that work to the advantage of our producers in this country?

Mr. JACOBS. No; I do not think it affects us one way or the other. Japanese normally sell their goods in the oriental and colonial territories where we do not go.

Senator THYE. Is not part of their trouble shortage of the dollars to buy the raw materials?

Mr. JACOBS. Yes, sir; that is the problem in Japan. That is the major problem, getting the dollars to buy the raw materials, and that, of course, is the purpose of this bill.

Senator THYE. I think so.

Senator YOUNG. I think you have worked out a very good deal to help them out, and I want to commend you for your broad-minded viewpoint, because you are setting up competition, but I believe that production will be used in that area for a long while to come.

I was wondering if you had any estimates on what proportion of the purchases to be made would be of wool, hides, and cotton, and so on.

Mr. JACOBS. What proportion of the purchases to be made?

Senator YOUNG. Under this fund.

Mr. JACOBS. Under this fund?

Senator YOUNG. Yes.

Mr. JACOBS. I should think all of that, practically all of it would be.

Senator YOUNG. What proportion would be wool and what proportion would be cotton?

Mr. JACOBS. I have no figures on that, sir. It would depend. We would assume very largely upon the speed of rehabilitation of the Japanese industry. If their machinery for the manufacture of woolen cloth is brought in——

Senator YOUNG. What percentage would be wool and what percentage would be cotton or hides that would be used of this fund? What do they need worst, the cotton or wool?

Mr. JACOBS. I would say that they need cotton definitely worse. There is a major factor influencing the cotton situation that does not influence wool or hides. The natives in the Orient who are accustomed to bringing the raw materials in from the fields or from the trees, such as rubber and crude rubber and what have you, are not accustomed in the past to depending upon currencies for their compensation. They like barter. They like to have clothes. They like to have clothes and Japanese textiles have been very largely used for that purpose in the past.

Senator YOUNG. They could even barter for rice and other food that they need, too.

Mr. JACOBS. Yes, indeed; and if by this method through this bill with latitude given to SCAAP, there is the opportunity to sell Japanese textiles into those areas; if there is, then I think it will have a very salutary effect and very fine effect upon the speeding up of the production of some of those critical raw materials which are needed so badly by the world, such as copra and rubber and tin.

The CHAIRMAN. What would have that effect?

Mr. JACOBS. The supplying of Japanese textiles with which to make garments for the natives, and to pay the natives in the place of money. They do not use money.

The CHAIRMAN. Are they doing very much along that line now?

Mr. JACOBS. Doing none of it today, and this bill would facilitate that movement, what they call the barter movement, and it is the method used by the Japanese in the past.

The CHAIRMAN. You think it is really desirable.

Mr. JACOBS. Yes, sir.

The CHAIRMAN. From our standpoint?

Mr. JACOBS. From the standpoint of the welfare of the United States at large. Critical materials that we have trouble getting, reptile skins, copra, tin, rubber, jute, and items of that kind that are in short supply in this country even now, and if we can speed up those, it will help.

Senator THYE. What you are developing here would be future market as well as the immediate market. The cotton and the wool or the hides that would go over there would permit their industries to increase their production or increase their activities to give employment. This, in turn, would lessen the amount of real support or assistance that we would have to render through the army of occupation. Then they would take a product which they manufactured and trade that for a product that could in turn be sent to the United States, particularly commodities or products that we need over here. Thus you would have a continuous process and our dollars would actually initiate what you might term a "revolving transaction."

Mr. JACOBS. That is a very clear statement of the whole plan.

Senator THYE. That is what we had in mind in this bill. What you accomplish here will be primarily to stimulate business with a country and in the years to come we will be able to enjoy an export business from our own cotton fields or from our own products here in America.

Mr. JACOBS. That is correct, sir.

Senator YOUNG. I am wondering how you will work out the wool deal, though. I imagine about half of the wool that is used in the United States comes from Australia.

Mr. JACOBS. Yes.

Senator YOUNG. It comes to San Francisco and carries a freight rate of $1.05 a hundred all the way from San Francisco to Boston, where our wool in North Dakota carries a rate of about $1.20—15 cents more to ship half the distance. I could not see the sense of hauling wool clear over here, and our buying it and shipping it back to Japan. I think some arrangements should be made to purchase the wool direct from Australia.

Mr. JACOBS. It would be, sir.

Senator YOUNG. To relieve our market here of the burden of this Australian wool in some way.

Senator EASTLAND. The Commodity Credit Corporation has a stock pool of around 300,000,000 pounds of low-grade wool; no market for it. The object is to work that wool off.

Senator YOUNG. We might ship over a part of this 300,000,000 pounds of wool to Japan, but what is the sense of hauling that way over there when we haul Australian wool over here again?

Senator EASTLAND. This is wool not spun in this country. There is a stock here in the hands of the Government that has $200,000,000 of funds of the Commodity Credit Corporation, that should be used for support prices, tied up, and is at present depressing wool prices in this country. There is no market for it. Spinners do not want it.

Senator YOUNG. It seemed to me some arrangement could be worked out under a quota system or an agreement with the Australian Government that part of their wool would be diverted to Japan and more of ours used here.

Senator EASTLAND. That is something in the future. It is to the wool growers' interest to get this stock in this country that is depressing prices and for which there is no market in this country spun and used, and gotten rid of. That is what I understood from the Army they wanted this bill for.

Senator YOUNG. I agree with you. I am trying to get away from the double haul, bringing it over here from Australia, and then shipping it back there.

Senator EASTLAND. This low-grade wool is here.

Senator YOUNG. It is not all low-grade wool.

Senator EASTLAND. Primarily it is. It is here now.

Mr. JACOBS. If this bill is passed, I am quite sure there would undoubtedly be some direct trading between Australia and Japan.

Senator YOUNG. I think there should be.

Mr. JACOBS. We talked with some of the representatives of Australia, as well as the other countries, while we were there, and they are interested in Japanese stocks and interested in selling their wool.

The CHAIRMAN. They seem to be pretty favorable to this program.

Mr. JACOBS. Yes, sir; and Senator, I would like to say in support of the statement that has just been made the very clear explanation of the system of barter, three- and four-cornered trades which would be the heart of this program. It merely means that this bill would initiate and facilitate a situation in which the Congress would start the ball rolling with its dollars, and as the result of that, goods would be sold or traded for raw materials in countries that have a shortage

of dollars who would then, of course, sell their short-supply materials to the United States to private interests and get dollars so as to take the Japanese industry out of the pocketbook of the American people, and off the shoulders of the United States Congress. That is the general purpose of it.

There are two amendments suggested by Secretary Royall, both of which I think are sound. The first amendment has as its purpose the expansion of the program to cover the other captive or liberated countries, and I think we will all agree that it is sound if we are going to do the job for the Japanese industry, we have a similar problem where what is good for the goose may be good for the gander.

The second amendment is designed to so free the hands of the Supreme Commander, Allied Powers, as to enable them to enter into such trades and bartering as has just been suggested. I am very much in favor of both, and I believe that SCAP would approve both.

Senator THYE. I would like to ask just one further question of the witness. While you represent the cotton industries, you definitely have in mind that you do not intend just to supply cotton to the Japanese industries or the spinners over there. This is a broad program intended to take some of the wool of the Commodity Credit Corporation which it finds is undesirable so far as the textile people here are concerned, because it is short fiber and the textile people have been more anxious to get the longer fibers from the Australian wool. I am concerned that where we make available this money it will be expended by those in charge not only for the cotton, but for the wool, the hides, and so that in general there will be a general effect on those industries in Japan, rather than merely the cotton industries.

Mr. JACOBS. I agree with that.

Senator THYE. I am only thinking in terms of what Senator Eastland said that there is a great amount of wool here that is undesirable because of the short fiber, and you want to move that. We do want to find the dollars we make available going in a round-about way to Australia, picking up the wool there, sending it on to Japan, and leaving our wool lying in storage here.

I just wanted that for the record, so that there will be no question when we come to examining where the money went as to what the intent was.

Senator EASTLAND. I think we will all agree on that.

Mr. JACOBS. I certainly agree with that.

Senator AIKEN. How long do you think the revolving fund will be needed?

Mr. JACOBS. Until peace.

Senator AIKEN. And has private industry showed any interest in financing these transactions?

Mr. JACOBS. Senator, there is on foot at the present time negotiation with the bankers for a loan for Supreme Command, Allied Powers, on what they call the gold pot, with the captured gold and precious stones as collateral. That has run into a lot of ramifications and has been greatly delayed in its completion.

Senator EASTLAND. How long have those negotiations been going on?

Mr. JACOBS. Since I believe the middle of last year; quite a long time.

Senator EASTLAND. That is right; since last August.

Senator AIKEN. Do you believe that the transactions will be profitable enough so that the money will be repaid?

Mr. JACOBS. I do. I am very confident, sir, that the value added by manufacture, added to the raw products by manufacture, is such a wide margin that there will be no question about the repayment of the loan.

Senator AIKEN. Is the Commodity Credit Corporation experiencing any difficulty in recovering its loan?

Mr. JACOBS. Yes; because of its own contract which specifies a condition which rules out this system of barter and three- and four-cornered trades.

Senator AIKEN. What has become of the cotton which Commodity Credit Corporation has financed for the mills?

Mr. JACOBS. I think that a good portion of their loan has been repaid to them. There is a stock of goods in Japan today unsold, and we have just recommended to Mr. Williams, one of the finest merchandisers in America, to them; and he has gone to Japan, and is there now, and setting up a system for the sale of and merchandising of those textiles.

Senator AIKEN. It is a question of marketing what they have?

Mr. JACOBS. That is right.

Senator AIKEN. And you feel that Commodity Credit will be fully reimbursed?

Mr. JACOBS. Oh, yes; undoubtedly, sir. As a matter of fact, I recently suggested that they have too much of collateral for the amount that they have loaned.

Senator AIKEN. The Commodity Credit does object to taking their pay in——

Mr. JACOBS. In anything but dollars.

Senator AIKEN. Or reptile skins.

Mr. JACOBS. Well, sir, I do not think that this revolving fund should receive any pay for the cotton in anything but dollars, just as the Commodity Credit Corporation has required, but they have a limitation that you cannot sell the goods for anything but dollars.

Senator AIKEN. You would permit the Japanese manufacturers to barter their products, and then convert the goods they take in exchange into dollars.

Mr. JACOBS. That is right, sir. That is the heart of this problem.

Senator EASTLAND. That is for enough dollars to repay the pool.

Mr. JACOBS. That is right.

Senator EASTLAND. And the rest which was profit would go in Japanese economy, and would reduce our costs of occupation.

Senator AIKEN. Is the rate of pay in the Japanese textile mills on a higher level than it was before the war?

Mr. JACOBS. Yes, very definitely.

Senator AIKEN. It is being brought up?

Mr. JACOBS. Yes, sir.

Senator AIKEN. So that when the industry eventually recovers, Japan would not have the extreme advantage in the world markets that she had previous to the war.

Mr. JACOBS. It will not.

Senator YOUNG. The real problem over there with their surplus silks, they have practically lost their world market, have they not?

Mr. JACOBS. It has been greatly reduced by the introduction of nylon, of course, and they have shipped some raw silk to this country, which they have had difficulty selling because of any loan, and we recommended as one of our 16 points that it would be smarter for them to ship woven silk cloth into this country.

Senator THOMAS. Do you know of any objection to this bill?

Mr. JACOBS. No, sir.

Senator THOMAS. Do you know of any interests in this country that would have any cause for objection if they knew all about it?

Mr. JACOBS. I do not think so, sir. I do not see how anyone could have any objection to this bill. I think it is very sound economics.

The CHAIRMAN. You mentioned General MacArthur. You talked with him over there?

Mr. JACOBS. Yes, several times.

The CHAIRMAN. Did you talk with him about this proposal?

Mr. JACOBS. Yes, sir.

The CHAIRMAN. How does he like it?

Mr. JACOBS. He approves it thoroughly.

Senator AIKEN. You believe that the purchases of the raw material should be restricted to natural fibers?

Mr. JACOBS. Yes.

Senator EASTLAND. To the exclusion of rayon?

Senator AIKEN. It now excludes purchase of rayon fibers. Does it enter into the Japanese manufacturing industry to any extent?

Mr. JACOBS. It is relatively small, but it is growing.

Senator AIKEN. Do they produce their own fibers or purchase them?

Mr. JACOBS. They produce some and they purchase some. I do not know the proportion.

Senator PEPPER. These raw materials are to be processed in Japan?

Mr. JACOBS. Yes, sir.

Senator PEPPER. They are expected to pay us back in due course?

Mr. JACOBS. Yes.

Senator PEPPER. For the funds that we advance?

Mr. JACOBS. Yes, the bill provides for that specifically.

Senator AIKEN. And at 2½ percent interest, Senator.

Senator PEPPER. What do you see as the future of Japan in the world markets?

Mr. JACOBS. I think that their future is very indefinite and squally. Several conditions have entered into their industrial set-up there within recent months which are going to tie their hands severely. They are having a great deal of difficulty reestablishing themselves in these Oriental markets because of the attitudes of their captors, the British and the Chinese, Filipinos, and Australians, and what have you.

Senator AIKEN. Are you satisfied that making this money available for Japan to buy natural fibers in this country will not create a shortage in the United States?

Mr. JACOBS. No, I am quite sure it will not, sir. We will be able from our crop and our supply here to take care of the Japanese industry without any effect on our situation for some time to come. They will not grow very fast.

Senator AIKEN. The reason I ask is that I read in some paper this morning that the net effect of this bill would be to boost fiber prices in the United States. I forget where I read that.

Mr. JACOBS. I am not an expert on that subject but I do not see how it should affect us.

Senator AIKEN. You do not think that the enactment of this bill should result in an abnormal boost in the price of natural fibers in the United States?

Mr. JACOBS. No, sir, and I do not think that the purchases of cotton by Japan or wool by Japan for some time to come will be large enough to have a material effect on the market.

Senator THOMAS. When will the first of this year's cotton crop begin to come on the market in the Southern States, southern Texas, for example? Is that July or August?

Mr. JACOBS. Yes, sir, in July.

Mr. DUNN. The first part of August.

Senator AIKEN. Then this money would be used largely to purchase cotton production from the 1948 crop?

Mr. JACOBS. Yes, sir.

Senator AIKEN. There would not be enough carry-over.

Mr. JACOBS. Yes, they will have to start some of their purchases pretty soon. It takes 3 months to buy cotton and deliver it to Japan, and they have a supply to last them 4 or 5 months, I think.

Senator EASTLAND. When would they have to start curtailing operations and shutting down mills in Japan unless they get this credit?

Mr. JACOBS. Within 30 days, I would say.

Senator EASTLAND. That would increase our occupation costs.

Mr. JACOBS. Yes, sir, very greatly our occupation costs.

They need cotton there now; they need it pretty badly. We ought to have cotton started pretty soon.

Mr. DUNN. May I make one statement in answer to your question on supplies?

Senator AIKEN. Yes.

Mr. DUNN. As to what effect it might have, we think that in view of the prospects of the United States being able to increase its cotton production back to the prewar levels, that it will be necessary to provide outlets through such means as this to Japan and Germany in order that we move that cotton out of the United States to prevent its accumulation again in the Government loans which over a period of time would necessarily bring us back into production control. We think that with such machinery as this, that we will be able to move the normal production of the United States into domestic consumption and into foreign markets.

Senator AIKEN. You feel that there is some danger of the collapse of domestic prices if we do not find some outlet for the production that we have?

Mr. DUNN. We know there would be a very serious accumulation of cotton in this country if we did not provide these aid programs, because it is just the fact that the people cannot buy them today because they have no dollars to buy them with.

Senator AIKEN. And that surplus might become a problem as early as next fall?

Mr. DUNN. Yes, sir.

Senator YOUNG. Were any woolmen over at that meeting? I would like to get more information on wool.

Mr. JACOBS. At the meeting?

Senator YOUNG. Yes; with General MacArthur.

Mr. JACOBS. No; but we talked with the Australians about wool quite at length. There were just three representatives of the cotton textile industry there in Japan.

Senator YOUNG. I am all for the cotton program. I am trying to find out what share the wool industry will have in the program.

Mr. JACOBS. I think they would have quite a share. I really think so. I think there are good possibilities of wool manufacturing in Japan.

Senator THOMAS. This bill provides for the shipping of hides abroad. When those hides are shipped, are they green raw hides, or will they be the tanned hides?

Mr. JACOBS. I do not know, sir.

Senator THOMAS. Well, the Tanners Council have advised some of us that they are opposed to the bill. The Tanners Council must think that green hides will be shipped abroad and thus deprive them of the opportunity of processing, which means tanning and processing those hides.

I could see no other reason why they should object, save that they will lose that business if the hides are sent across green.

Mr. JACOBS. I do not know, sir. I did not write the bill, and I did not put that amendment in, and I do not know anything about tanning.

Senator THOMAS. Senator Eastland?

Senator EASTLAND. I could not give you the pictures. Hides and wool were placed in that bill at the request of the Army, and they will be here next week to give their plan.

Senator THOMAS. It is obvious that Japan can process any commodity more cheaply than it could be processed in this country because of the abundance of cheap labor in that country, and the hides would have to be sent across anyway, and a green hide is not very much heavier than a tanned hide, so it would be to the advantage of Japan to get the green hides, and that being true, the Tanners Council, which represents the tanning industry of this country, do have, as I can see, some reason for opposing this bill, because they will be deprived of that business.

Mr. JACOBS. We might oppose it in the cotton-manufacturing industry because ultimately it is leading toward depriving us of business, and we went over to Japan originally to protest against the possibility of early competition with the textile industry in America, and when we got there we found or reached the conclusion that the soundest practice would be to help the Japanese people get back on their feet, and that in the long run it would cost us less to get the Japanese industry on its feet and out of the pocketbooks of the taxpayers of America than it would be to try to hold them back just because of some temporary advantage that the cotton-textile industry might receive.

I do not know the tanning situation, but I would certainly recommend to those gentlemen that they adopt the same general broad-gage attitude toward the subject.

Senator AIKEN. Is it possible that they are short of shoes?

Mr. JACOBS. That is true.

Senator AIKEN. Evidently the people of Japan did not look to you like they would have been good customers of the American mills for a long time.

Mr. JACOBS. The people of Japan could use the American textiles, but they would use their supply very little because they would wear wooden shoes.

Senator AIKEN. They could not pay the price right now.

Mr. JACOBS. They are pretty poor.

Senator EASTLAND. Is it not a fact that last year under the textile program the Japanese textile industry supplied roughly 65 percent of the industrial production of that country?

Mr. JACOBS. Yes, sir; it is a major industry in Japan.

Senator EASTLAND. And that from the operation of that industry they made a net profit of $10,000,000 a month from running the Japanese textile mills, and that profit of $10,000,000 a month reduced the cost of occupation and saved the American taxpayers $10,000,000 a month?

Mr. JACOBS. That is right.

Senator THOMAS. Mr. Chairman, I suggest, if there be anyone present who is opposed to the bill, they be given an opportunity to be heard.

The CHAIRMAN. We will be glad to hear anyone that wants to be heard on the bill.

Thank you very much, Mr. Jacobs and Mr. Dunn.

Senator AIKEN. I think, Mr. Chairman, we ought to hear from the Army and the Department of Agriculture. And it looks as if most of us would be available Tuesday to hear them. I do not think there will be time this afternoon.

The CHAIRMAN. If any of these people here are from a distance, we would like to hear from them.

If there is no one else who wants to be heard on this bill, we will recess until 10 o'clock Tuesday. We will reconvene then.

Senator AIKEN. I think we ought to ask the Department of Agriculture and the Army both to give their opinions as to the effect both on Japan and on our producers here.

The CHAIRMAN. All right, then, we will recess until next Tuesday, at 10 o'clock.

(Whereupon, at 3:15 p. m., a recess was taken until Tuesday, March 30, 1948, at 10 a. m.)

# REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES

TUESDAY, MARCH 30, 1948

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
*Washington, D. C.*

The committee met at 10 a. m., pursuant to recess, in room 324, Senate Office Building, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), Aiken, Bushfield, Young, Thye, Thomas, Ellender, and Hoey.

Also present: Senator Eastland.

The CHAIRMAN. The committee will come to order.

We are here today to consider Senate bill 2376, to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold. The bill was introduced by Senator Aiken and quite a number of others.

Senator AIKEN. Most everybody.

The CHAIRMAN. It is undoubtedly a very interesting proposal. We have quite a list of witnesses to hear and the committee will be glad to hear them.

First on our list is Lt. Col. O. J. Baldwin, Chief of Trade and Commerce Section, Economics Branch, Civil Affairs Division, United States Department of the Army.

Is Colonel Baldwin here?

Colonel BALDWIN. This is Colonel Baldwin, sir.

The CHAIRMAN. Come right up, Colonel.

## STATEMENT OF LT. COL. O. J. BALDWIN, CHIEF, TRADE AND COMMERCE SECTION, ECONOMICS BRANCH, CIVIL AFFAIRS DIVISION, UNITED STATES DEPARTMENT OF THE ARMY, WASHINGTON, D. C.

The CHAIRMAN. Colonel, we are glad to have you here this morning. Will you just proceed in your own way and tell us what you can that will have a bearing on this proposed legislation?

Colonel BALDWIN. Mr. Chairman, I have a statement here which I would like to read, to cover many of the points on which you gentlemen undoubtedly will want to ask further questions.

If I may, I would like to read that at this moment. This is a statement of the Army representatives before the Senate Committee on Agriculture and Forestry.

The Department of the Army, although not sponsoring the proposed bill, favors enactment of the proposed legislation subject to minor

revisions which are considered very desirable. These changes have been presented by Mr. Royall in a letter to the chairman of this committee. I shall be glad to discuss the changes and the reason therefor at your pleasure.

Before going into detailed discussion of the many aspects of the bill I should like to give you a brief summary of conditions found in Japan, they were similar in other occupied areas, as an explanation of why enactment of the proposed bill is favored by the Army.

As mentioned, this summary will be primarily on Japan, inasmuch as it is chiefly concerned by S. 2376. Japan at the time of surrender was prostrate financially, economically, and industrially as a result of her war effort. The United States assumed, under international agreement, responsibility for keeping the Japanese people alive and has done so for the past 2½ years at great expense to the American taxpayer. But there was no choice in the matter under the Geneva Convention.

I would like to digress right there for just a moment and say that those were not the only responsibilities which the Army assumed under the Geneva Convention, but rather this was one of the minimum responsibilities that was assumed under the Convention.

During the same period, maximum effort has been made to rehabilitate the non-war-making industries to permit the Japanese to earn at least a part of their keep. The cotton textile industry, which had been a principal prewar activity, represented a major potential in this field.

But what did Japan have for a textile plant? In 1930–34 the average spindle installation was 8,170,000 with an average production of 1,148,000,000 pounds of cotton yarn; in 1937, which was the peak year, it was 12,190,000 spindles with a prewar peak production of 1,590,600,000 pounds of yarn. On January 1, 1946, 4 months after the beginning of the occupation the installed capacity was 2,200,000 spindles of which only 190,000, or 8½ percent were operating.

At the beginning of occupation, a few million pounds of cotton and yarn were on hand in Japan, but scarcely enough to keep the 190,000 spindles moving. Japan needed cotton and needed it badly.

Cotton was available in the United States, but it took money to buy it and the Army was not in the cotton business nor did it have funds for cotton procurement; Japan, of course, was flat broke.

Inasmuch as the Commodity Credit Corporation had cotton, which it had accumulated under price-support programs going back to 1934, a credit arrangement was evolved whereby a supply of cotton was secured, to be paid for from proceeds of the sale of yarns and textiles produced therefrom.

Under those credit arrangements cotton supplied totaled 1,254,193 bales to Japan and 220,000 bales to Germany. Those shipments cleaned out CCC stocks. Most of that cotton has been processed into textiles and yarn or will be within the next 4 months. More cotton is needed and, to maintain an adequate working stock, is needed immediately.

The procurement of additional cotton is a serious problem. The Commodity Credit Corporation stocks have been exhausted and prospects of securing grades and staples needed in time for processing are not good unless open market purchases are promptly made.

Moreover, it is essential that the supplying of cotton be placed in private trade channels and under private financing to the maximum extent possible. Attempts to secure private credit for financing raw-material imports into Japan have been under way since August 1947, using gold and silver bullion of Japanese ownership, found at the time of occupation, as security for those credits.

Finalization of that general credit is, however, still far from complete, though the prospects for it are brighter than at any time heretofore. But the indefinite date of availability of the private credit makes necessary some other means of financing the immediate import of raw fibers.

The proposed bill would provide that additional credit not only for Japan but for other areas as well. For that reason, the Army favors enactment of the legislation as a further step in achieving self-sufficiency of the occupied areas. The bill will provide a working capital, the absence of which has been a major obstacle for over 2 years to the occupied areas achieving even the barest of self-support.

In that connection, you will be interested in the position which the textile industry occupies in achieving that self-sufficiency, particularly in Japan. The allowable number of spindles which Japan is authorized under present plans is 4,000,000, completed installation of which has a target date of June 1949.

During 1949 it is estimated that an average of 3,600,000 will be operable, with an average of 3,500,000 operating. During 1948, the estimated average number of spindles operable will be 3,157,700, with 2,434,800 actually operating.

The ultimate installation is estimated to require between 1,186,000 and 1,500,000 bales of cotton annually, depending upon the adequacy of power, supplies, and labor. Both the minimum and maximum consumption figure assumed, but are also dependent upon, Japan's ability to finance.

The total 1948 calendar-year requirements are far from firm, principally due to the lack of any firm method for financing those requirements.

The proposed legislation is designed to provide a revolving fund, or working capital, with which to finance natural-fiber imports into the occupied areas. Under the provisions of the bill, the funds would be available for obligation until the signing of a peace treaty.

As stated earlier, the Department of the Army favors the enactment of S. 2376 subject to two revisions on minor points which are believed essential to improved workability of the fund. These changes are designed to—

(*a*) Broaden the interpretation of areas into which the raw fibers might be imported. As now written, the importation in bizonal Germany would not be authorized.

(*b*) Permit greater latitude in textile sales and bartering by permitting sale for soft currency which would in turn be converted into dollars by further transaction.

That concludes my statement. I shall be glad to discuss further any points which you may wish to raise.

Senator AIKEN. Colonel Baldwin, do you know how the amount $150,000,000 was arrived at?

Colonel BALDWIN. $150,000,000 would provide perhaps not an adequate working capital, but sufficient to provide almost an annual supply of cotton. I do not know just exactly how that figure was arrived at. I believe that was arrived at by Dr. Jacob, who was on a mission to Japan and recommend that figure as a result of his trip there.

Senator AIKEN. Are there some textiles on hand now? There is, I believe, a substantial sum still due the Commodity Credit Corporation.

Colonel BALDWIN. That is right.

Senator AIKEN. Do you feel that money will be repaid in full? Will there be anything left over for the purchase of more cotton after the Commodity Credit Corporation is paid?

Colonel BALDWIN. The Commodity Credit Corporation will be paid off in full. How much will be left after that is dependent upon many factors.

Senator AIKEN. At the present time, what is the Army doing in the way of direct dole, direct relief, to the people of Japan? I assume the idea is to get the plants running, to put them on a self-sustaining basis as soon as you can?

Colonel BALDWIN. That is correct; expansion of industrial activity is the only way to place the Japanese on a self-sustaining basis.

Senator AIKEN. In what way would that relieve direct costs on the part of United States toward supporting the people of Japan, and my question was, Is the Army now granting direct relief or direct dole to people in Japan?

Colonel BALDWIN. The Army, under the responsibilities imposed by the Geneva convention, is at the present time importing foodstuffs and other essential commodities to bring the Japanese up to a certain minimum caloric intake. In other words, it is making up the food deficit in Japan.

Senator AIKEN. That represents a direct loss.

Colonel BALDWIN. Not a direct loss in the strict sense of the word. It might, practically, ultimately, but that is something to be decided in the future. Those imports are charged against the future Japanese economy, collectible at such time as a favorable trade balance is established. In other words, if in 1955 Japan is able to export more than she imports, there will be available a certain favorable trade balance which could be applied to the cost of those food imports now being made.

Senator AIKEN. What I wanted to know is whether making the money available for the purchase of this raw material would hasten the day when the Japanese people would be self-supporting and there would be a lesser drain on our own finances?

Colonel BALDWIN. It would, definitely.

Senator AIKEN. One other question: How are the Japanese plants run today? Who owns them?

Colonel BALDWIN. They are being operated under Japanese ownership, with Japanese labor, under Japanese management, but with a certain minimum supervision of over-all policies and activities by military government.

Senator AIKEN. The original owners of the plants are operating them today.

Colonel BALDWIN. In some cases, yes; in some cases probably not. I really couldn't answer you in detail on that. I would say that in general they were under Japanese ownership and operation.

Senator AIKEN. Has there been an improvement in the general wage level in these plants since the American occupation?

Colonel BALDWIN. Very much so.

Senator AIKEN. And it was the old system of extremely low wages and subsidized shipping and transportation that made Japan such a threat to the world's commercial field a few years ago. As I understand it, a few years ago they paid the textile workers very little, and then subsidized transportation costs so that Japan could go into the world market and undersell anybody else. There has been an improvement over that.

Colonel BALDWIN. Those wage scales have been improved very materially.

Senator AIKEN. One thing more: I think the committee was told the other day that hides were included in this bill at the request of General MacArthur. I think Mr. Jacobs told us that.

The opposition to it seems to come from the purchasers and users of hides and leather in this country. You do not know how hides did come to be included in the bill?

Colonel BALDWIN. I do not know how they came to be included. I was unaware that they were included as a result of General MacArthur's request.

Senator AIKEN. The committee is unaware of it, too.

Senator EASTLAND. I will tell you how hides were included. We had a conference in my office, in which the Army was represented. They came up with some amendments that they wanted to include it in the bill, and I told them that I could not agree to the amendments. I had been selected to introduce a bill, but it was too broad, and I wanted to know exactly what the Army desired to purchase with that money. Colonel Caffrey, of the American Cotton Manufacturers Association, was present, as I recall, and several from the cotton industry, and they told us that the cotton, wool, and hides, with the equipment that was needed to process those commodities, and the bill was drawn with that in view.

I know we debated a long time how to limit the bill to wool and cotton and hides. We used the term, at my suggestion, "natural fibers," which was specifically to include rayon. We thought, as the bill was drafted, that it certainly would have included rayon as well as other commodities. It would have also included machinery and capital goods that we did not think should have been included. They told me wool, and I called a Senator from a wool State and had him check into it to see what stocks the Commodity Credit Corporation had. It was Senator Robertson of Wyoming I called, and he did check into it and told me that it was the desire of the wool producers and the wool association that wool be retained in the bill.

Senator YOUNG. In the statement, he speaks entirely of cotton. How much of a demand for wool is there? Do you have any idea of the amount of wool that the Army would want?

Colonel BALDWIN. I am not so conversant with the conditions surrounding the wool industry. I mentioned cotton and natural fibers,

including wool within that category, but it was on the cotton-textile industry that I had the best information.

Senator EASTLAND. That was because you have been operating a kind of textile industry?

Colonel BALDWIN. That is correct.

Senator EASTLAND. And you have not been able to operate the wool plants over there because you have not been able to get the raw product; is that right?

Colonel BALDWIN. There have been very limited imports of wool, sir.

Senator EASTLAND. I understand you have got about 5,000 bales of wool in Japan now; is that right?

Colonel BALDWIN. Present stocks probably are in that order of magnitude.

Senator EASTLAND. The Army gave me the figures which is just a drop in the bucket compared to what they need and to the capacity for consuming.

Senator YOUNG. Because of the closeness of Japan to Australia, I imagine Australia would be the natural place to buy wool for use in Japan, would it not? A lot of the wool used in the United States comes from Australia.

Colonel BALDWIN. That is one of the reasons we have not been able to get wool in Australia. The United States had more dollars than the Japanese.

Senator YOUNG. I was wondering how you would get away from this. It would not make any sense to me to ship wool from Australia to the United States and then ship it from the United States to Japan. Has an arrangement which would prevent that been discussed with the Commodity Credit Corporation?

Colonel BALDWIN. We have not discussed that as yet with the CCC.

Senator EASTLAND. That is what you would be limited to under this bill. Australian wool could not be purchased under this bill. It is limited to wool produced in the United States under the bill. As I understand the figures, the Commodity Credit Corporation at the end of February this year had a stock of 268,000,000 pounds of wool, valued at approximately $168,000,000.

I understand that half of this wool is comprised of low grades which have no market outlet in the United States but which can be used in both Japan and Germany to advantage.

In Japan there is on hand 5,000 bales of wool, whereas the industry in Japan has a capacity to consume approximately 400,000 bales annually. If Japan is to buy wool and export woolen goods, of course, this bill would give them access to the supply which the Commodity Credit Corporation has in this country. I think that the Senators from the wool areas, if there is any doubt about where the Army would turn, certainly would want to put an amendment to give priority to surplus wool which Commodity Credit Corporation now has. I think Senator Young's suggestion makes good sense. That is where you are interested.

Senator YOUNG. The whole Government is interested. We have the surplus wool owned by the Commodity Credit Corporation hanging over our heads. It is a liability to the Government, and it is costing a considerable amount of money.

Senator EASTLAND. I am informed that the United States normally imports two-thirds of its wool requirement, and that these imports are high-grade wool which come principally from Australia. The low-grade wool which the Commodity Credit Corporation has now is difficult to move in the United States but is natural for the industry of Japan and Germany to use. Wool was placed there at the request of officials of the Army in my office, who told us the commodities that they desire to purchase if this bill is enacted.

Senator YOUNG. Colonel Baldwin, does the Army have a program worked out? Does it have figures on the quantity of cotton and wool that it wants to buy?

Colonel BALDWIN. They have a program on cotton which is, as I mentioned, quite unfirm for the calendar year 1948. The firm portion of it totals about 500,000 bales. Dependent upon financing, power supplies, fuel, labor, and all the other factors there will be additional requirements for the calendar year 1948. Those requirements could go as much as 70 percent higher than the 500,000.

Senator EASTLAND. Seventy percent?

Colonel BALDWIN. Seventy percent higher; they might run up as high as 850,000, but that requirement is a function of a great many factors: Whether or not Japan will have fuel available to run the processing machines, whether or not labor will be available, whether or not they will have a lot of things available that would be required to process a larger amount, has caused present requirements to be limited to a firm basis of 500,000 bales.

Senator EASTLAND. As I understand it, the Army wanted the authority to use cotton, wool, and hides and bind and spin them as they had a chance to make a trade with those countries for the sale of those commodities or for the barter of them for other commodities; is that right?

Colonel BALDWIN. We do expect to engage in barter transactions and for sales for other than dollars if the opportunity permits and presents itself, and at the same time do it profitably.

Senator EASTLAND. Well, as I said, instead of a formula between the commodities, hides and wool, or cotton and hides, what the Army wanted was the authority to use its judgment in making purchases in this country, processing, and selling the fiber abroad; in short, to do that which you thought would promote the economy of Japan?

Colonel BALDWIN. That is correct, sir.

The CHAIRMAN. Does that conclude your testimony?

Colonel BALDWIN. Yes, sir.

The CHAIRMAN. We are very much obliged to you.

Colonel BALDWIN. Thank you, sir.

The CHAIRMAN. We have here a statement from the National Wool Growers Association. The statement comes from Mr. Jones, who is the secretary of the National Wood Growers Association, with headquarters at Salt Lake City, and he says:

This bill, S. 2376, introduced March 24, 1948, by Senator Aiken is of particular interest to the domestic sheep industry.

It is our understanding that the term "natural fibers produced in the United States" includes wool, and it is with this understanding that we support and ask your committee and the Senate to pass favorably upon this bill.

Then he goes on to say:

There is in the hands of the Commodity Credit Corporation approximately 300,000,000 pounds of domestic wool. This accumulation is the result of the Government wool purchase program which started in 1943. Quite naturally, much of the wool on hand is of a grade and character not in demand by manufacturers and consumers in the United States, but which could be processed and utilized in occupied areas because of the dire need for clothing and the lower cost of processing of these less demanded wools in those areas.

There is an urgent need at the present time from the standpoint of the domestic wool producer, to dispose of the accumulated stocks of wool. The enactment of Senate bill 2376 would, in our opinion, assist in this disposition.

(Signed) J. M. JONES, *Secretary.*

Senator Hawkes has forwarded a telegram he has received from F. S. Stout, vice president of John R. Evans & Co., Camden, N. J., concerning this legislation. Mr. Stout is opposed to the inclusion of hides under the provisions of the bill and without objection his communication will be inserted in the record of our hearing.

(The telegram is as follows:)

CAMDEN, N. J., *March 26, 1948.*

HON. ALBERT HAWKES,
*Senate Office Building:*

We wish to call your attention to the provision in the Aiken bill, S. 2376, permitting purchase of hides in this country for the occupied areas. Since this country is an importer of hides and skins this provision has serious implications for tanners, shoe manufacturers, and consumers as pointed out in the section of the Harriman report dealing with hides and skins. We respectfully request that you make every effort to have it deleted.

JOHN R. EVANS & CO.,
F. S. STOUT, *Vice President.*

The CHAIRMAN. Mr. N. E. Dodd, Under Secretary of Agriculture is our next witness. He has been coming here for a good many years and is always welcome.

## STATEMENT OF HON. N. E. DODD, UNDER SECRETARY OF AGRICULTURE, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

Mr. DODD. My statement is very short. I thought perhaps you would want to ask questions rather than have me make a statement. The Department of Agriculture appreciates the opportunity to appear before this committee with respect to S. 2376, a bill to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

This bill will provide a fund and mechanism which should enable the occupation authorities in both Japan and Germany to buy United States cotton, wool, and other natural fibers, and hides, ship them to such countries, process them and sell them in the usual export markets thereby securing funds with which to pay for the cost of such commodities. As this committee knows, the Department of Agriculture and the War Department entered into agreements in 1946 whereby a large quantity of CCC cotton has been made available to both Japan and Germany in the performance of somewhat the same function as is contemplated in this bill. Approximately 1,470,000 bales, valued at $214,000,000 have been shipped to Japan and Germany.

We believe that this bill will facilitate the use of certain grades of United States cotton and wool, and I include mohair because I notice the Senator said natural fibers, and mohair and some flax fibers we

have in surplus, that are normally in a surplus position compared to domestic use of them. It will provide the Army with a fund and mechanism approved by the Congress for the purpose of using such commodities and also facilitating the economic recovery of the occupied areas.

With respect to CCC cotton already made available to both Japan and Germany the CCC has been paid $105,000,000 of the $214,000,000 I referred to earlier and as of March 31, unless further payments are made today or tomorrow, the total amount still due CCC for both principal and interest will be $111,573,701.20. We do not expect any difficulty in securing full payment of this amount from the Army in accordance with our agreements.

The Department of Agriculture recommends the enactment of this bill but wishes to point out that it has not checked this recommendation with the Bureau of the Budget.

If the members of the committee want any particular detail about the various commodities that are mentioned in the bill I will be glad to supply it, Mr. Chairman.

The CHAIRMAN. Do you think the bill is on the right track?

Mr. DODD. Yes, sir.

Senator THOMAS. The Army has made two recommendations for amendments. Have you considered those suggested amendments?

Mr. DODD. I don't believe I have seen them.

Senator THOMAS. May I hand them to you and let you look them over? We would like to have you make a statement as to the advisability of amending the bill as per the recommendation of the Army.

Mr. DODD. Yes. I am in substantial agreement with them. They would mean that they would sell in occupied areas and also would sell a product for such currencies as they could.

Senator BUSHFIELD. Are those the amendments that Colonel Baldwin spoke about?

Mr. DODD. I suppose so. I could not hear Colonel Baldwin very well, Senator Bushfiield, but I believe these are the amendments he referred to.

Senator YOUNG. Would an amendment be necessary for this bill, to require the Army to acquire what it needs from the surpluses held by the Commodity Credit Corporation, or do you feel that the bill as written now would be sufficient to guaranty that these surpuluses would be used rather than purchases in the open market?

Mr. DODD. I don't believe that they could make purchases in the open market except at substantially higher prices. Of course it would be possible to buy in the open market and to go right out and compete.

Senator YOUNG. Of course the Army now has the policy of buying corn and wheat and sugar and supplying the occupied areas. I do not know why they would not follow the same thing in wool, if they could buy wool cheaper, or even at a higher price.

Senator EASTLAND. Where would they get the money?

Senator YOUNG. They are making the purchases now.

Senator EASTLAND. That is from appropriated funds for food, but there have been no appropriated funds to buy the fiber.

Senator THYE. Mr. Chairman, these funds are made available as a revolving fund and the Army will have a fund at its disposal.

Senator EASTLAND. For United States products.

Senator THYE. They will be confined to United States products but we go one step further. In the event the wool comes over from Australia and takes our own domestic market, then our own clip, which is now in the Commodity Credit Corporation's holdings, will be used to go over there. In other words, we will, in a sense, be using the imports here, and then we will be exporting our own wool.

Senator EASTLAND. I don't think so. Wool is consumed in this country. It is high-grade wool that is produced here.

Senator AIKEN. What part of the 284,000,000 pounds of wool which you had on hand for the Commodity Credit a short time ago is of the lower grades which the mill operators in this country are reluctant to buy?

Mr. DODD. I would like to go just a little bit further than that, if I might.

Senator AIKEN. All right.

Mr. DODD. I would like to give you a statement of our wool operations. I think the committee could see a little clearer just what the picture has been. Remember we started buying wool or supporting the price of wool in 1943. Of the fine wool, 60's and finer, on September 30, 1946, we had on hand, of all kinds of fine wool, 370,522,000 pounds, but as of February 29, we only had on hand 120,000,000 of the 60's and finers.

In other words, we had reduced our invoice by 250,000,000 pounds. Those 60's and finers have a very ready sale. Of the low wools, that is coarse wools, 48 and coarser, we had on hand in September 1946 a little over 5,000,000 pounds of wool. This year, on February 29, we had reduced that amount by 560,000 pounds.

On the offgrade of wools, wools for carpet work and those things, we had on hand 20,472,000 pounds in September 1946, and today we only have on hand 10,640,000. We have reduced that inventory by 11,600,000 pounds, but of the cross-bred wools, the wools that are not coarse enough for carpets and are too coarse for clothing, the 50's to 58's, we had on hand September 30, 1946, 92,656,000 pounds of grease. We had some scoured wool which made a total of 115,055,000 pounds. On February 29, 1948, we had on hand 140,392,000, or an increase of those wools, just 50's to 58's.

Senator YOUNG. February 1948?

Mr. DODD. February 1948. We had an increase of 22,500,000 pounds of those particular wools. Now those are the wools just under our clothing, but they are too good for the other place, but wools apparently that we do not have so much market for in this country.

Senator YOUNG. What assurance do you have that the Army would take these surplus wools. Are you satisfied that they would?

Mr. DODD. If we had their assurance they would take them, that, I think, would be the only assurance that was needed unless the committee felt they wanted to put something in the bill to require that they took some of the wools that are in surplus.

Senator YOUNG. That would be up to our Commerce Department, too. They could be used to issue export licenses as they are doing now in the case of certain foods. If it were tied down more than it is now in the bill, it would be entirely unworkable.

Mr. DODD. We think those wools are very fine to go into both Japan and Germany for local consumption.

Senator YOUNG. I think the bill has a tremendous amount of merit in helping Japan become self-sustaining and in relieving us of the burden of spending United States dollars over there.

Mr. DODD. I do too.

Senator YOUNG. But I believe it should be tied down more than it is now. I would not have any faith whatever that the wool would be used under the present provisions.

Mr. DODD. The only wool of this type in any amount now in the country is the stocks in the hands of the Commodity Credit Corporation.

Senator AIKEN. That 140,000 pounds surplus at the present time will be added to this spring's?

Mr. DODD. Yes.

Senator AIKEN. There is no likelihood that domestic users will use it.

Mr. DODD. We have been adding to that particular type of wool ever since 1943.

Senator AIKEN. What are you offering it for? What are you trying to get for it?

Mr. DODD. We have kept reducing our price but we have no takers for that particular type of wool. We have not reduced it much below the amount of the import duty, but there is no wool coming into this country of that quality, so I do not think we have any competition in that field.

Senator AIKEN. If the price of that gets as low as the price of cotton, would it not pay the occupied areas to use wool?

Mr. DODD. It would make pretty good textiles.

Senator AIKEN. I would think they would need no further incentive to use it other than the price incentive.

Senator YOUNG. You have your price incentive on other foods in the United States which are cheaper here but they are still buying in Australia, largely because they cannot get export allocations and licenses.

Mr. DODD. These particular types of wools too are in surplus in the world. The whole world is in surplus on 50's and 58's.

Senator ELLENDER. How much less do you pay for that wool?

Mr. DODD. We have a sliding scale set up for all the different grades of wool, pretty much in relation to the historical differences. Here is the cost we have got in there as of now.

Senator THYE. Senator Young is entirely right in his contention that if we make this fund available, and then the purchaser, or the man administering the fund over in Japan, has a right to come over here and demand a type and quality of wool which would be in short supply, the result might be that we would be receiving the offgrade wool as export and it would go on our shelves under the Commodity Credit. For that reason I think there should be some provision written into this act that would safeguard your own holdings as going out first before they take the high-grade wools for which your own textiles are bidding.

Mr. DODD. The 60's and finer are in demand very widely and there is a lot of competition for them in the world market. The below 60's, 50's to 58's, are in surplus the world over.

Senator THYE. I can readily see the man administering the fund who may have no question about the economy over here saying, "I want

the finer grade wools." It would be easy for him to go out into the world market and find a buyer for that type of fabric.

Mr. Dodd. No question about it.

Senator Thye. So you have to write it into the bill in order to make certain that you are moving the kind of wool in surplus. Otherwise we will be appropriating money to develop an operation in competition with our own textiles?

Mr. Dodd. I do not think there is any question but that they could use that quality of wool.

Senator Thye. How would you suggest that we write an amendment to the bill to accomplish that?

Mr. Dodd. I would not know the language to use, Senator Thye. You do have natural fibers produced in the United States. I think we could have an amendment drafted to cover that part of it.

Senator Thye. Then, Mr. Chairman, I suggest that an amendment be prepared by the Department that would provide this safeguard in the act.

Mr. Dodd. We will have it drafted, Senator. I heard Senator Aiken's question to Colonel Baldwin on whether CCC would be paid off. Was it your interpretation that this fund would be used to pay off CCC on the cotton?

Senator Aiken. No. I would not consider that so. What I meant was: Would the goods on hand, the unprocessed material which has been bought from CCC, produce enough revenue to pay off the Commodity Credit Corporation in full?

Mr. Dodd. They would. There is no question about that. They have been paying along rapidly.

Senator Aiken. My reason for asking that was so that we could get some estimate as to whether a revolving fund set up for the further purchase of raw fibers would be returned in full to the United States Treasury or whether it might become dissipated.

Mr. Dodd. We have shipped them something in excess of $214,000,000 worth of cotton, on which they have paid something like $105,000,000, which plus the interest leaves a balance of about 111½ million.

Senator Aiken. What interest rate are you charging?

Mr. Dodd. Three percent.

Senator Aiken. I believe this bill provides for 2½.

Mr. Dodd. That is right. We charge farmers 3 percent. We thought there was no reason why we could not charge textile manufacturers 3 percent just the same.

Senator Hoey. I have not been here all the time. I wonder if anybody inquired as to whether or not it would be advisable to add tobacco.

Mr. Dodd. The question has not been raised.

Senator Hoey. I just had a letter from people interested in tobacco growing and they suggested that some consideration be given to tobacco as one of the commodities to which this bill is applicable. I quote from the letter:

> I want to suggest that consideration be given to the inclusion of tobacco as one of the commodities to which the provisions of this bill are applicable. Tobacco products are in short supply in the occupied areas, particularly Germany. In Germany, tobacco products available through legal channels are only one-sixth of those available in prewar years. Black markets are flourishing. Cigarettes are often used to purchase goods that would otherwise be sold for dollar exchange.

Manufacturing plant facilities and labor are available for processing tobacco. The use of facilities in the occupied areas in producing goods would tend to reduce the need for assistance from the United States.

The author of this letter doesn't think the inclusion of tobacco would change the amount or make it necessary to increase it. What would be your reaction?

Mr. Dodd. Ordinarily Germany and Japan do not export much processed tobacco products. That is mostly for local consumption. The European relief bill does make provision for funds to purchase tobacco for home consumption. This bill, as I understood it, is for production of limited tobacco processed for export.

Senator Hoey. You do not think it would be worth while to have that included? He seems to think there is a local demand there.

Mr. Dodd. As I understand it, it was for European relief.

Senator Eastland. If it was for local demand it couldn't be repaid. There is nothing sold for export to repay the fund.

Mr. Dodd. I think it would be all right to include it if they anticipated any production for export, but the market is very limited. In the past very little has been exported.

Senator Aiken. There has been objection raised to the inclusion of hides in this bill. Can you tell us what the objection is in the United States as regards supply of hides?

Mr. Dodd. Normally we are an importer of hides rather than an exporter. I have the figures over the years and '47 is the only year of net exports. You understand that the hide statistics are kept over in the Department of Commerce and we got these from them. In 1947 I guess we actually exported more hides than we imported. The first year, though, for a long, long time that we have been in that position.

Senator Aiken. What was the reason for that?

Mr. Dodd. Apparently the world price was higher than our price. It was for quite some time last year. Our slaughterers urge that we do grant an allocation or allow export licenses for some substantial amount of hides.

Senator Aiken. Do you anticipate that there will be a surplus again this year?

Mr. Dodd. This year if our estimates are correct we will slaughter some 15 percent less cattle. That might make the difference between export or import. Of course, last year, as you know, we had the highest slaughter of history, of cattle, and apparently a lot of our users of hide were pretty well stocked, so they did not want the hides, so we found ourselves in a position in early 1947 that the world market for hides was higher than the United States market. Ordinarily it is just the reverse.

Senator Aiken. How is the market price for hides? Is it dropping or raising or staying about the same?

Mr. Dodd. It is fairly steady at the present time. It did drop very low early in 1947, but it is back up again now.

Senator Young. While we are coming back to the surplus, Mr. Dodd, I would like to have your opinion on this 150,000,000 bushels of carryover of wheat. We have a provision in the law now which actually forces the accumulation of a surplus. In your opinion, will that surplus that we have to carry over be cumbersome in the future?

Mr. Dodd. Very definitely so. I thought so at the time it was put in. I think it was put in only to hold down the price of wheat in this country because anybody would know, with a big crop coming up, and a forced carry-over of at least 150,000,000 you cannot cut the cloth that fine, we would have more than 150,000,000 carry-over and with the crop prospects as they are at the present time for something in excess of a billion bushels.

Senator Aiken. That is all wheat?

Mr. Dodd. That is all wheat, spring and winter. The other thing, of course, is the fact that some of these countries desperately need some additional wheat between now and harvest time. In the past 2 years after we took a look at the growing crop and the crop prospects, were good we felt justified in pulling the carry-over down at a very low figure, for two reasons. One of them was to sweep our own bin out pretty clean, so we would have room and a fair price for the new crop wheat, and the other was to give these needy countries the greatest possible amount of relief.

We pulled it down once below 85,000,000 bushels and once below 75,000,000 bushels, but if we are required to hold 150,000,000, and you know no Secretary of Agriculture is going to stick his neck out and let it get below 150, he is going to be sure that there are ample supplies in the country. With another 1,100,000,000 or 1,200,000,000 wheat crop coming up we might have a problem on our hands later on.

Senator Aiken. Do you think a provision in the law requiring a carry-over of 150 million bushels would result in an upswing in the price again?

Mr. Dodd. I would imagine it would a little, if the foreigners have ways to buy it. We have some cash-paying governments that would probably move in right away.

Senator Young. If it works well on wheat, why not apply it to cotton goods and so on to acquire a surplus before we permit exports of such commodities?

Mr. Dodd. That is what we want. If we can keep prices held at a low level, that is the way to do it. It is a tough limitation because I think the Congress and the Secretary of Agriculture when you see your prospects for your next year's crop I think you should use some judgment about how much a carry-over is. If conditions were as bad as they were last fall when we had shorter moisture out in Senator Capper's country and late seeding and all, and you had a pretty bad situation last fall.

I think 150 million would not be enough carry-over, I would think you would want more, but now at the beginning of November when your moisture situation changed and you have got an increase in the acreage planted, we have probably got or will have the largest acreage of wheat planted this year that we have had for a good many years.

Senator Young. All those arguments they have advanced no longer apply now.

Mr. Dodd. That is correct.

Senator Young. I may offer a repeal amendment to this bill, now that we are talking about surpluses and carry-overs.

Mr. Dodd. With the exception of 1 or 2 years, as you well know, and you other folks also who come from agricultural areas, that we

have had a problem to get rid of our wheat. That is one thing that I ought to come and talk to you about some of these days, about the agricultural wheat agreement, that we think it is a good thing to get rid of not a little wheat but a lot of wheat. That problem is going to be with us pretty quickly.

Assuming that the world has a good crop or wheat about twice we have got a surplus of wheat on our hands.

Senator YOUNG. If you are justified in supporting the price of wheat now you would certainly be justified in supporting it in the future.

Mr. DODD. That is right. I think on the two big crops, cotton and wheat, I think there is a way we can work out with the world to use those commodities and use them for the benefit of everybody. It would be a terrible thing if we had to see the price of those commodities knocked down. This country was built on wheat and cotton. It is the way we have built our railroads and all the rest of it by exporting those particular commodities.

Senator YOUNG. The whole economy of the United States is affected by wheat.

Mr. DODD. No question about that, and cotton also.

Any other questions, Mr. Chairman?

The CHAIRMAN. I believe not.

Are there any further questions of Mr. Dodd?

If not, we will go on with the next witness.

Mr. DODD. Thank you, Mr. Chairman.

The CHAIRMAN. Next, we have Mr. Irving Glass. He is executive vice president of the Tanners' Council of America, headquarters at New York.

## STATEMENT OF IRVING GLASS, EXECUTIVE VICE PRESIDENT, TANNERS' COUNCIL OF AMERICA, NEW YORK, N. Y.

Mr. GLASS. I am the executive head of the Tanners' Council of America which is the trade association of the tanning industry. There are also here the executive heads of the National Association of Shoe Manufacturers and of the retail shoe organizations of the country. The heads of those organizations join with the tanners, and they are concerned about the serious implications of the inclusion of hides in the proposed measure.

To save your committee's time, they have suggested that I present the economic facts to your committee and then if you wish to have any further information or wish to ask them any questions, they hold themselves in readiness to give you any additional information you may need.

Gentlemen, I would like to make it perfectly clear at the outset that we do not question in any way whatsoever the purposes of the bill so far as textile fibers are concerned. We submit, however, that hides are not a textile fiber. Furthermore, we do want to go on record as asserting that we cannot question and will not question any requirements, any objectives of the armed forces for the military needs of this country. There is no group of industries prouder of its achievements in the past few years than the leather and shoe industry of the United States in working with the armed forces and filling the require-

ment of the military under all conditions. What we do want to point out to you today is a few simple economic facts.

The United States is a hide-deficit nation. In order to meet the minimum standard of shoe living in this country, we must import a very substantial part of our hide and skin requirements. Without those imports, it would be impossible for us to maintain the standard of living to which Americans are accustomed with respect to shoes, and 85 to 90 percent of all the leather produced in this country goes into the production of shoes.

We have never been a hide-exporting nation. We have never been a historic source of supply for any other country with respect to hides. Japan and Germany are hide-importing nations but they have always filled their requirements in the world market from sources other than the United States.

The CHAIRMAN. Would you explain that for the record?

Mr. GLASS. Our cattle population and our domestic supply of hides has never been sufficient to meet the aggregate requirements of the shoe industry. We have had to rely upon imports to bring our domestic supplies up to a level where we could satisfy the minimum requirements of shoe producers and manufacturers of other leather goods.

Senator THOMAS. Give us the names of the countries from which we import leather, if you will.

Mr. GLASS. The raw material, the hides?

Senator THOMAS. Either raw material or processed hides, tanned hides.

Mr. GLASS. Our imports of processed leather are practically negligible. Foreign trade in leather is relatively speaking a small factor in the total supply and demand picture. We have imported hides in the past from the Western Hemisphere, roughly 2 million hides all told from the Western Hemisphere, from Africa and India, and in the past prior to the war, from certain countries in Europe.

I have here copies of a little book that I should like to leave with your committee, which describe very simply the sources of our imports of hides in the past and the extent to which we are dependent upon those hide imports.

(The information supplied is as follows:)

LEATHER—A BASIC UNITED STATES INDUSTRY BECAUSE 140,000,000 AMERICANS WEAR SHOES

Foreign hides and skins are vital to the tanning industry. Over 75,000,000 hides and skins must be imported to maintain production of leather and to keep Americans in shoes.

The United States is the world's largest buyer of hides and skins, spending about $60,000,000 a year in foreign markets. It has imported and requires millions of cattlehides, calfskins, goatskins, sheepskins, and other types of hides and skins: 4,000,000 foreign cattlehides, 3,200,000 foreign calfskins, 42,000,000 foreign goatskins, 26,500,000 foreign sheepskins.

For more than a generation Americans have consumed more than three pairs of shoes per capita each year. This standard of living was made possible by the largest tanning industry in the world, with plants in 30 States, employment of 50,000 wage earners, an annual pay roll of $125,000,000, annual output exceeding $550,000,000.

The industry, in order to supply 140,000,000 people with footwear and other leather goods, tans over 125,000,000 hides and skins a year. To tan these hides and skins American tanners buy from areas all over the earth more than

$10,000,000 worth of foreign tanning materials annually. Of the total leather produced each year, 85 percent is used in the manufacture of shoes, 15 percent is used for all other leather goods.

The raw-material needs of the United States tanning industry are supplied in part by domestic resources, but a large proportion always has been and must be imported. Unless foreign hides and skins continue to be available, the consumption of leather shoes in the United States cannot be maintained at essential levels.

Leather is a vital military requirement. During the past war military needs took a substantial portion of all leather produced in this country. A strong domestic tanning industry is essential for America. This is impossible unless foreign hides and skins continue to be available to American tanners.

In the following pages the sources of United States hide and skin imports abroad are shown by countries. The character of United States trade relations with all these countries and the importance given to maintaining access to raw materials by the United States tanning industry are vital issues.

*Where our foreign cattle hides come from—annual imports by source*

[Number of hides, average, 1937–41]

| | | |
|---|---|---|
| Total Europe | | 44,000 |
| Western Hemisphere: | | |
| Argentina | 2,090,000 | |
| Brazil | 575,000 | |
| Paraguay | 24,000 | |
| Uruguay | 122,000 | |
| Venezuela | 15,000 | |
| Cuba | 84,000 | |
| Colombia | 31,000 | |
| Canada | 480,000 | |
| Other America | 144,000 | |
| Total Western Hemisphere | | 3,565,000 |
| Total Asia | | 130,000 |
| Oceania: | | |
| Australia | 42,000 | |
| New Zealand | 71,000 | |
| Total Oceania | | 113,000 |
| Africa: | | |
| British East Africa | 118,000 | |
| Nigeria | 17,000 | |
| Union of South Africa | 90,000 | |
| Other Africa | 19,000 | |
| Total Africa | | 244,000 |
| Grand total | | 4,096,000 |

*Where our foreign calfskins and kips come from—annual imports by source*

[Number of skins, average, 1937–41]

| | | |
|---|---|---|
| Total Europe | | 946,000 |
| Western Hemisphere: | | |
| Argentina | 147,000 | |
| Uruguay | 104,000 | |
| Brazil | 16,000 | |
| Canada | 399,000 | |
| Other America | 15,000 | |
| Total Western Hemisphere | | 681,000 |
| Total Asia | | 268,000 |
| Oceania: | | |
| Australia | 310,000 | |
| New Zealand | 559,000 | |
| Total Oceania | | 869,000 |

*Where our foreign calfskins and kips come from—annual imports by source*—Con.

| | | |
|---|---|---|
| Africa: | | |
| British East Africa | 283,000 | |
| Union of South Africa | 87,000 | |
| Ethiopia | 9,000 | |
| Other Africa | 25,000 | |
| Total Africa | | 404,000 |
| Grand total | | 3,168,000 |

*Where our foreign goat and kid skins come from—annual imports by source*

[Number of skins, average, 1937–41]

| | | |
|---|---|---|
| Europe: | | |
| Russia | 68,000 | |
| Other Europe | 1,050,000 | |
| Total Europe | | 1,118,000 |
| Western Hemisphere: | | |
| Argentina | 2,329,000 | |
| Brazil | 4,074,000 | |
| Mexico | 1,380,000 | |
| Venezuela | 758,000 | |
| Peru | 733,000 | |
| Haiti | 309,000 | |
| Other America | 881,000 | |
| Total Western Hemisphere | | 10,464,000 |
| Asia: | | |
| India | 15,358,000 | |
| China | 2,588,000 | |
| Netherland Indies | 1,964,000 | |
| Saudi Arabia and Aden | 1,050,000 | |
| Other Asia | 1,197,000 | |
| Total Asia | | 22,157,000 |
| Total Australia and New Zealand | | 7,000 |
| Africa: | | |
| British East Africa | 1,484,000 | |
| Union of South Africa | 1,227,000 | |
| Nigeria | 3,296,000 | |
| Ethiopia | 484,000 | |
| Other Africa | 1,844,000 | |
| Total Africa | | 8,335,000 |
| Grand total | | 42,081,000 |

*Where our sheep and lamb skins and cabrettas come from—Annual imports by source*

[Number of skins, average, 1937–41]

| | | |
|---|---|---|
| Europe: | | |
| Iceland | 28,000 | |
| United Kingdom | 1,311,000 | |
| Other Europe | 244,000 | |
| Total Europe | | 1,583,000 |
| Western Hemisphere: | | |
| Canada | 356,000 | |
| Argentina | 5,258,000 | |
| Brazil | 1,404,000 | |
| Chile | 511,000 | |
| Uruguay | 960,000 | |
| Peru | 113,000 | |
| Other America | 56,000 | |
| Total Western Hemisphere | | 8,658,000 |

*Where our sheep and lamb skins and cabrettas come from—Annual imports by source*—Continued

| | | |
|---|---|---|
| Asia: | | |
| India | 132,000 | |
| Iran | 41,000 | |
| Arabia | 184,000 | |
| Other Asia | 237,000 | |
| Total Asia | | 594,000 |
| Oceania: | | |
| Australia | 1,827,000 | |
| New Zealand | 11,027,000 | |
| Total Oceania | | 12,854,000 |
| Africa: | | |
| Union of South Africa | 947,000 | |
| Nigeria | 542,000 | |
| British East Africa | 861,000 | |
| Other Africa | 451,000 | |
| Total Africa | | 2,801,000 |
| Grand total | | 26,491,000 |

SOME OF THE INDUSTRIAL PRODUCTS FOR WHICH LEATHER IS THE RAW MATERIAL

Consumer goods: Shoes, boots, gloves, garments, belts, work clothes, pocketbooks, luggage, wallets, furniture and automotive upholstery, harness and saddlery, athletic goods.

Industrial materials: Transmission belting, textile rollers, buffers, aprons, mechanical products, gas meters, washers, gaskets and hydraulic equipment, straps, safety belts, lacing.

Military articles: Boots, shoes, gloves, jackets, signal and instrument cases, safety belts, helmet linings, aviators' clothing, recoil mechanisms, scabbards, holsters.

TANNERS' COUNCIL OF AMERICA

100 GOLD STREET, NEW YORK 7, N. Y.

Mr. GLASS. Now, those facts are not the opinion or the assertion of this industry alone. They were contained very explicitly and clearly in the report submitted by the Harriman committee. That report, it seems to me, was a very striking and clear statement of our dependence upon foreign sources of supply and upon the serious potential dangers of any diversion of our limited domestic supplies into export channels.

If I may quote a sentence or two from the Harriman report:

The United States is a hide and skin importing Nation because domestic resources alone are not adequate to maintain prewar levels of shoe and leather consumption.

Another statement in the Harriman report I should like to call to your attention and to which I want to refer in slightly greater detail in a minute or two:

Available inventories in the United States are lower than any other peacetime year, probably as low as can be maintained without creation of bottlenecks.

Our point in substance, then, is that as an importing Nation, as a Nation with a constant annual deficit in hides and skins, we are gravely concerned by the implications of a measure which might create exports of hides from this country to areas which historically have never imported hides from the United States.

Mr. Dodd referred in his testimony to the exports of hides from the United States in 1947. Nineteen forty-seven was an extraordinary year, gentlemen. Our domestic slaughter in that year set a new record.

We are confronted with a seriously changed situation in 1948. Not only does the estimate of the Department of Agriculture indicate a reduction of 15 percent in the slaughter, but in addition we have been plagued by the packing-house strike in recent weeks, and as a result of that packing-house strike there will be a reduction of anywhere from 500,000 hides and up in our available supplies this year, a reduction which is certain to seriously aggravate conditions confronting tanners, shoe manufacturers, and 140,000,000 consumers.

Senator THYE. May I interrupt for a question there?

Mr. GLASS. Certainly.

Senator THYE. Do you think there is slaughter now taking place outside the regular channels to such an extent that when the packing plants are reopened again there will not be the number of hides of livestock going through those plants that there would have been had no shut-down through strikes occurred?

Mr. GLASS. The time factor in that respect is important. In other words, eventually those cattle will come to market and be slaughtered.

Senator THYE. Then you will have the hides eventually. My question really was, however, whether there is slaughter now outside of the recognized slaughtering yards that will take the cattle so that the hides will not be marketed? Such hides will not be preserved or taken care of, and there will be a resulting loss. Do you think they will just be held back and will come through the regular channels as soon as the slaughtering houses or yards are reopened?

Mr. GLASS. Slaughter now taking place in slaughterhouses which are not strike-bound cannot compensate for reduction in output of the strike-bound packing plants for two reasons:

First, the mere volume cannot be made up; and, second, the small packer or the small butcher who has to operate today in order to provide his local trade has not the skill or experience to slay animals properly and to produce a hide which can be turned into leather, so there will be, on net balance, some loss. How much that will be, we cannot estimate.

Senator AIKEN. Has the exportation of hides been pretty well controlled through export quotas?

Mr. GLASS. No, sir. Our position in that respect, Senator, has been that, as an industry, we have refused to appeal for export quotas and controls because we import hides; and we felt that, if the United States would set a precedent for the world of removing trade bars and trade restrictions and allowing the free flow of hides, there might be nations in other parts of the world who would take heed and follow our precedent and permit the flow of hides upon which we are dependent to be resumed.

Senator AIKEN. However, there have been quotas, have there not?

Mr. GLASS. They were suspended March 1, 1947. I might call to your attention that the elimination of the export quotas on March 1, 1947, was followed by a very substantial export movement of hides because the world market, due to unsettled conditions, was higher than our market. As a result, the price of hides, and therefore the price of leather and shoes, moved up sharply in the second half of 1947.

The CHAIRMAN. How long ago was that?

Mr. GLASS. That began in the spring of 1947.

Senator AIKEN. Did the trade advocate the removal of export controls?

Mr. GLASS. No. There were very substantial portions of the trade which were opposed to the elimination of export quotas. The Tanners' Council had taken the position, in consideration of the ITO draft charter, that we stood for the elimination of trade barriers and restrictions, of embargoes, of discrimination, of export controls and import controls, and to maintain that position consistently we felt we could not advocate, even though it was to the direct economic interest of the industry, we could not advocate the continuation of export controls in the United States. We stood to gain more in the long run by the reestablishment of trade throughout the world.

Senator AIKEN. You asked for the removal of export quotas?

Mr. GLASS. To be perfectly honest, we took a noncommittal position.

Senator AIKEN. You did not appear before any committee in Congress testifying as to export quotas at all?

Mr. GLASS. No, sir.

Senator AIKEN. Or anyone from your trade?

Mr. GLASS. Not from the tanning industry.

Senator AIKEN. Or from any allied trades?

Mr. GLASS. Yes. The shoe-manufacturing interests of the country felt that the removal of export controls at that time was dangerous in view of our limited supplies.

Senator AIKEN. Did anyone engaged in the processing or manufacturing or purchasing or selling of hides and leather take a position advocating greater export allocations or the removal of controls?

Mr. GLASS. We did not.

Senator AIKEN. Did anyone engaged in the processing or manufacturing or buying and selling of hides take any such position?

Mr. GLASS. Yes. Producers of hides urged that the export controls be removed.

Senator AIKEN. At that time, how was the market for hides in this country?

Mr. GLASS. Early in 1947 there was a declining tendency in the market.

Senator AIKEN. No processors, however, advocated removal of controls or increase of export allocations at any time?

Mr. GLASS. No.

Senator THOMAS. Your booklet shows that we import approximately 75,000,000 hides of one kind or another. You stated already that these hides were, as a rule, green hides and not in the form of completed leather. State for the record whether or not there is any duty or tariff on these imported green hides.

Mr. GLASS. Yes. The duty on green hides today is 5 percent.

Senator THOMAS. And the duty on processed or tanned hides is how much?

Mr. GLASS. From 7 percent on certain types of leather up to 15 or 20 percent on other types of leather.

Senator AIKEN. What is the duty?

Mr. GLASS. In general, from 7½ to 20 percent.

Senator THOMAS. What is the duty on imported boots and shoes?

Mr. GLASS. Somewhere in the vicinity of 18 to 20 percent. It is a rather complicated tariff schedule.

Senator ELLENDER. To what extent do we export finished products made from hides?

Mr. GLASS. Our total foreign trade on finished products, including leather and shoes, does not in the aggregate amount to more than 3 or 4 percent of our domestic production.

Senator AIKEN. Is that mostly Western Hemisphere exports to the Americas?

Mr. GLASS. I should say the greater proportion of it goes to the Western Hemisphere.

Senator YOUNG. The Army has quite a problem in connection with these occupied areas.

Mr. GLASS. We are not for the moment disputing the necessity for the occupied areas to buy and acquire the raw material necessary for the rehabilitation of industry. We merely state that such purchases ought to be made in the historic sources of supply where they have already purchased their raw material in the past, rather than draining the raw material in the United States. The reason for our concern stems from two broad considerations: First, our domestic position and economy. In January of this year, the average factory price of all shoes was $3.91 at the factory.

Senator YOUNG. I would agree with you fully in normal times, but in Germany the Army has a responsibility for running this industry. When they need shoes badly there, it seems to me the Army ought to be entitled to acquire a certain amount of hides for that industry.

Mr. GLASS. I agree with you, sir, but those hides can be purchased in South America and India and other parts of the world, where Germany in former years purchased most of the raw materials she imported.

Senator EASTLAND. Another thing, Senator Young, the Army has got to have leather to run the industry in those countries. It has got to have belting, and this is where she wants to get those supplies.

Senator YOUNG. I think it is absolutely necessary that they be allowed under this bill to acquire a certain amount of it.

Mr. GLASS. What we contend is that the bill can be very readily amended so that hides are not listed with the textile fibers produced in the United States to be purchased under the proposed revolving fund. There is every reason for the Army to purchase hides and skin for the use of the Army in Germany, but there is every reason to question purchasing those hides from the United States.

Senator ELLENDER. Is that your greatest fear that the purchase of the hides will have a tendency to lessen our hides here and make the sale price greater?

Mr. GLASS. That is one element in our concern. The other, I am going to state very simply. During the years from 1941 through 1946, the armed forces took a major proportion of the cattle-hide leather produced in this country for shoes and other military equipment. We were able to meet that terrific demand with a minimum disruption because we had a buffer stock pile to begin with.

During the war years, the domestic inventories in the United States were drained down to the lowest levels on record. They have shown no recovery since.

Senator THYE. Last year, if I may interrupt, we exported hides.

Mr. GLASS. We exported raw material.

Senator THYE. That is hides?

Mr. GLASS. Let me point out something there, Senator.

Senator THYE. Wait a minute. We exported hides, last year, did we not?

Mr. GLASS. Yes.

Senator THYE. Then, if we exported hides last year, why would we not be exporting hides in the year 1948 and 1949?

Mr. GLASS. For two reasons, Senator: In the first place, we had a domestic supply last year of roughly 23,800,000 hides from the largest cattle slaughter on record.

Senator THYE. Your beef-cattle population is still exceptionally good.

Mr. GLASS. The Department of Agriculture estimates the slaughter will be down this year by 15 percent. That would bring us a reduction in our domestic supply of over 3,000,000 head.

Senator AIKEN. To what extent are export shoes and other leather goods restricted?

Mr. GLASS. They are not restricted in the least, sir.

Senator AIKEN. You would not have them restricted?

Mr. GLASS. The amount in the aggregate is such a small proportion of our total domestic production that we do not feel that restriction on the export of leather in shoes would have any ponderable effect.

Senator AIKEN. And you would not have any restrictions on the exports of hides, either?

Mr. GLASS. We still hope that the continuance of a precedent by the United States of free trade in these raw materials will encourage the rest of the world to drop some of the discriminations and embargoes which have been in effect since the end of the war.

Senator AIKEN. Do other countries have discriminations and embargoes against the importation of goods?

Mr. GLASS. Yes; they do.

Senator AIKEN. Would you be willing to put the export of hides on the same basis as the export of other finished materials?

Mr. GLASS. They are today. All of these products are subject to license, but they are not on the positive list and not under the positive export control.

Senator AIKEN. You say they are subject to license for export. Who grants the license?

Mr. GLASS. The Office of International Trade.

Senator AIKEN. Is there any difficulty in securing the licenses?

Mr. GLASS. To my knowledge, no. That licensing procedure, as we understand it, was instituted on March 1 in anticipation of the possible need for controls. In answer to your question, Senator Thye, not only is our export supply this year going to be sharply lower than last year but in 1947, even though we began exporting hides in the spring, by the closing months of the year our supply situation became so urgent that we had to begin importing hides on a tremendous scale to make up a supply deficit.

Senator THYE. That was due to that tremendous Army purchase late in the summer of 1947; however, the Army made a tremendous hide purchase for Greece last summer, did they not?

Mr. GLASS. No, sir.

Senator THYE. Oh, yes; they did.

Mr. GLASS. Our supply-and-demand statistics show that, as a result of the export movement of hides which began in March 1947 and continued for approximately 6 months, supplies in the United States

were so seriously drained that prices advanced more than 100 percent, and it became necessary for tanners——

Senator THYE. Who was taking all those hides?

Mr. GLASS. Europe, primarily.

Senator THYE. But who was making the purchase?

Mr. GLASS. Civilian interests in Europe—Holland, Belgium, France, and the United Kingdom.

Senator THYE. What was the aggregate purchase of the Army?

Mr. GLASS. In the aggregate, they were small last year.

Senator THYE. How much?

Mr. GLASS. We do not have the accurate figures. Trade estimates indicate it was less than 100,000 hides. The point I want to emphasize is that, by the end of those years, the amount of those exports, our fundamental deficit position forced us into the world market to pay 100 percent up for hides to make up for the loss we sustained by exports early in the year.

Senator ELLENDER. To what extent is the world supply of hides short; do you know?

Mr. GLASS. That, sir, is one of those difficult questions to answer for two reasons. In many of the European countries where currency and commodity conditions are unsettled, commodities are held not so much for their direct economic utility as for a hedge against inflation or against currency devaluation, and until the exchange of those European countries are stabilized we cannot have any real indication of how serious the supply position is.

Senator ELLENDER. We do not have any difficulty in obtaining our supplies from abroad, do we?

Mr. GLASS. We do; yes, sir.

Senator ELLENDER. On account of scarcity?

Mr. GLASS. Partially scarcity and more important, sir, the existence in several nations of arbitrary unilateral monopolistic controls.

Senator ELLENDER. What countries?

Mr. GLASS. Argentina.

Senator ELLENDER. How much more or less does a hide from Argentina or from Arabia cost than what ours sell for, from local manufacturers?

Mr. GLASS. Currently, the Argentina Trade Promotion Institute, a paradoxical term, by the way, is quoting better than 31 cents, c. i. f. New York, for hides comparable to those which are selling in the markets for 23 and 24 cents, and Argentina is the largest single source of quality cattle hides in the world market.

Senator THOMAS. Would not this program as outlined in this bill have a tendency to raise the price of hides in this country?

Mr. GLASS. If it stimulated any substantial measure of exports from the United States, it could have very dangerous consequences, as far as price is concerned. In January this year, the average factory price of shoes made in the United States was $3.91, according to the Bureau of Census.

Senator ELLENDER. Does that include all types, children's shoes and others?

Mr. GLASS. Yes, sir.

Senator ELLENDER. I was wondering who is making the profit on ladies' shoes selling for $25 and $30 a pair and men's shoes from $18 to $20 a pair.

Senator THYE. That is what I was going to ask.

Mr. GLASS. You ought not to forget that shoes in the category to which you refer account for one-half of 1 percent of the total output, that the bulk of shoes, shoes that are sold by Thom McAn and Sears, Roebuck and Penney, are shoes that retail today at $5 and $6. The average factory price of $3.91, and the mark-up which the retailer must impose to cover carrying charges, overhead, and selling cost accounts for the difference between the factory average and the selling price.

Senator THYE. What are the average prices of shoes? You have the figures on what the factory averages were?

Mr. GLASS. I would say approximately $5.25 or $5.40.

Senator THYE. Is that a guess?

Mr. GLASS. Yes, sir.

Senator THYE. How did you happen to have the factory cost so definite and the other just a matter of guess?

Mr. GLASS. The factory price is compiled by the Bureau of the Census. It is based on the monthly compilation of total shoe shipments made from the factories and their aggregate value.

In other words, 40.5 million pairs of shoes shipped at an aggregate of 158.5 million dollars and the average is a matter of simple division, $3.91 in January.

Senator ELLENDER. How much does it cost in leather and labor to make a shoe, let us say, that Sears, Roebuck sells for $5.98 or $2.95 in contrast with one which my friend Senator Eastland bought last week for $23 or $24? I would like to get that question answered, if I can.

Mr. GLASS. I would prefer to have the representatives of the shoe industry address themselves to that question, but I will tell you as much as I can on the subject.

The cost of labor, the cost of material, the total work that goes into the shoe at a higher price is immeasurably greater than aggregate costs that are involved in the production of a low-cost shoe.

For example, a low-cost shoe may be retained on the wooden last or the forms for a half hour or an hour in the course of production. The high-grade shoe may be kept on the last for as long as 6 or 7 weeks.

Senator YOUNG. What part of the cost of the average pair of shoes is represented by the hides themselves?

Mr. GLASS. I can tell you so far as leather is concerned. Hides account for 50 to 60 percent of the cost of making leather.

The CHAIRMAN. How is that?

Mr. GLASS. The raw hides account for 50 to 60 percent of the cost of making leather. In other words, a dollar's worth of leather represents 50 or 60 cents' worth of hide substance.

Senator YOUNG. What part of the cost of a pair of shoes is represented by the cost of hides?

Mr. GLASS. Approximately 30 to 35 percent, I would say. A representative of the shoe industry corrected me—50 percent. That is the finished leather.

Senator THYE. How many pairs of shoes do you get out of an ordinary steer hide?

Mr. GLASS. We use, as a rule-of-thumb calculation, 20 pairs of shoes per hide.

Senator THYE. Twenty pairs per hide?

Mr. GLASS. I ought to qualify that because when we say there are 20 pairs per hide we are taking into account all other kinds of skins

that go into the pot—goat skins, calf skins, and sheep skins. So as a working rule of thumb our calculations are predicated upon 20,000,000 pairs of shoes per million hides.

Senator YOUNG. What is the cost of hides?

Mr. GLASS. Conditions are a little uncertain due to the packing-house strike. Somewhere in the vicinity of 24 to 26 cents.

Senator ELLENDER. A pound?

Mr. GLASS. A pound.

Senator ELLENDER. How much would that be average for the hide?

Senator GLASS. The average weight for a hide is 40 pounds.

Senator THOMAS. You say 40 pounds is the average weight?

Mr. GLASS. Well, taking account of the so-called kips which also are employed in cattle-hide leather.

Senator THOMAS. But the average hide like the cow hide or steer hide, any of those hides that normally go into that type of shoe, that would be 50?

Mr. GLASS. That would be close to 50.

Senator ELLENDER. That will average $10.40 a hide?

Mr. GLASS. Yes, at 40 pounds per hide. At 50 pounds it would be $13.

Senator ELLENDER. What is your greatest cost in converting that hide into usable leather as tanned leather?

Mr. GLASS. Labor.

Senator ELLENDER. Take this hide that cost you $10.40. How much does it cost you to prepare it for use to make shoes?

Mr. GLASS. Roughly, about $5 to $6.

Senator ELLENDER. That would be about $16 then for the leather used, roughly speaking, to make 20 pairs of shoes?

Mr. GLASS. Not quite.

Senator ELLENDER. You said a moment ago that each hide averages about 20 pairs of shoes.

Mr. GLASS. Yes.

Senator ELLENDER. And according to your own figures here the cost of the hide plus the cost of tanning preparatory to making the shoes, is $5 or $6, that would make it roughly speaking, $16.50?

Mr. GLASS. You will remember I qualified it by pointing out that that figure of 20 pairs per hide is an average which takes account, in an over-all sense our use of 40,000,000 goat skins, 10,000,000 to 12,000,000 calf skins, and so forth.

Senator THYE. But those goat skins and calf skins do not cost you $5 or $6 to tan?

Mr. GLASS. On a per pound basis.

Senator THYE. We are off the subject on which we were trying to get information. However, it is very interesting to know that you are somewhat confused on your figures of what it cost to make a pair of shoes, so far as the hide value is concerned.

Mr. GLASS. When you take account of what it cost to make a pair of shoes, the average pair of shoes may have calf leather as well as cattle-hide leather, so in calculating that average of what the leather cost for a pair of shoes is, you must weigh by the different types of leather which are employed.

Senator ELLENDER. As I understood you a while ago, you used goat skins, sheep skins, calf hides, and everything else, and out of a million hides you get 20,000,000 pairs of shoes.

Mr. Glass. Let me give you another way of looking at that figure, sir.

Our total production of shoe leather last year was worth approximately $700,000,000. The wholesale value of shoes produced was somewhere in the vicinity, as I recall, of $1,700,000,000.

Senator Young. According to the figures you gave a while ago, the cost of the raw hides going into a pair of shoes would not, on any of your figures, be less than a dollar?

Mr. Glass. Let me give you some concrete illustrations on that. Here is a pair of shoes made with calf uppers, for example.

Senator Thye. I think the simple arithmetic which we are qualified to follow was this fact that you paid $10 for the hide on an average and it cost you about $5 or $6 to tan it. That is simple arithmetic.

Mr. Glass. You are familiar with your dairy industries?

Senator Thye. I am familiar with calves and sheep and goats, and so on.

Mr. Glass. Would it be accurate to say that a critter selling on the hoof for 25 cents a pound accounts for a porterhouse steak at $1.25?

Senator Thye. We are confining ourselves strictly to the business we are interested in here and that is hides.

Mr. Glass. We asked a few questions that led into a foreign field as to the export of the hides. I am not trying to be jocular. Out of this given hide which looks like this, some parts are not usable for shoes. They can only be used for other incidental purposes.

Senator Ellender. Still you get 20 pairs out of that hide average. That other stuff must be gravy. You must sell that to somebody else.

Mr. Glass. When we sell a pair of soles out of this part of the hide which is usable for shoes, that has to bear the burden of the lower price that the inferior part of the hide, usable for other purposes not for shoe purposes must sell for. That is the only reason that I referred to the price of livestock on the hoof.

Senator Ellender. I think we are off the subject. We will reserve that for future investigation, especially if the price of shoes keeps on going up.

I might refer you to the congressional hearings referred to the Economic Committee. I sat through those hearings with a good deal of interest and I think it was agreed that in the examination of the hide, skin, leather, and shoe prices, that the basic element of cost responsibility for the advance in cost of shoes to consumers was the hide. Those figures were developed in considerable detail, and if any Senators would like to see them we would be glad to present them.

I just cannot see how the small number of hides that would be purchased with the trivial amount of $150,000,000, which is to be used also for cotton, wool, and everything else, would be involved so as to seriously affect the supply in this country.

Mr. Glass. Yes; but that, sir, is what happened this last week. Here is a packing-house strike and two or three hundred thousand hides are tied up in cellars, and customers are forced to go into the market to buy additional hides and the hides have advanced from 2 to 3 cents a pound. Before the war we had in this country the equivalent of 3,600,000 hides as a stock of leather.

Senator Thye. You say they have to go into the market and acquire the hides? Where do they go to acquire the hides?

Mr. GLASS. From those packers who are still in operation.

Senator THYE. The packers that are still in operation?

Mr. GLASS. Yes.

Senator THYE. So that they are not going out into the import field to get the hides?

Mr. GLASS. Yes; there are some efforts being made right now by tanners to see whether hides can be elsewhere in Canada. We have tried to purchase some in Mexico. Mexico unfortunately has a prohibitive export tax.

Senator THYE. You can bring in raw hides from Mexico?

Mr. GLASS. Yes. Under the BAI restriction, as to anticeptics. The disappearance of 200,000 available hides from the market has had a terrifically stimulating effect upon the leather economy.

Senator ELLENDER. But this amount in price was far out of balance with the short supply. In other words, you may need, say, 10,000,000 hides, let us say. You have got a shortage of only 1 percent of that. It may affect the price so that it goes way out of bounds.

Mr. GLASS. Yes, sir.

Senator ELLENDER. Why is that?

Mr. GLASS. Because hides are a very volatile commodity ,and that is due to two factors. First, the hides are a byproduct. There is no control over the supply. We cannot turn out more hides at will as we can tin dippers. We are dependent on the packing industry.

Secondly, if we increase the demand 200,000 in proportion to the supply in the completely free market which the hide market is, that unbalance of the supply and demand produces a tremendous stimulous and forces prices up.

Senator ELLENDER. It does not take much to knock it out of balance.

Mr. GLASS. We are concerned with that because there is already clear-cut evidence in the shoe industry that the price to which shoes have gone, and I say through no fault of ours, basically due to the rise in the cost of raw material over which we have no control, that rise in the price of shoes has already compelled many consumers of the United States to curtail their shoe purchases below the standard to which they were accustomed prior to the war.

In 1947, consumers are buying fewer shoes per capita than they purchased before the war. The other factor we are concerned with is that we do not have the buffer stock, we do not have the supply of leather on hand, so in the event of a national emergency it would be extremely difficult to fill the demands and requirements which might become apparent.

For that reason, we feel it desirable to amend the bill so that the purchase of hides produced in the United States be deleted and that the requirements of the occupied areas be filled from their historic sources of supply in the world market.

Senator ELLENDER. It is very difficult, in the purchases of goods, even with American dollars appropriated to make sure that these occupied areas will get a fair amount of hides?

Mr. GLASS. If those American dollars to be appropriated were to be used for the purchase of hides in other areas of the world the supply would be available.

Senator ELLENDER. Well, of course this is a revolving fund. These hides must be purchased and the product sold so as to make more

dollars, to keep on purchasing these raw products in order to rehabilitate these occupied countries.

Senator EASTLAND. In fact, you cannot even run the industry if they cannot get leather over there. They cannot spin wool and cotton unless they can get leather for belting to run the industry.

Mr. GLASS. Hides and skins have been purchased, I understand, for those occupied areas from those customary historic sources of supply.

Senator EASTLAND. They have not got the money from appropriated funds to do it. This is just letting Japan earn its way instead of a dole out of Treasury.

Mr. GLASS. We do not question the basic purpose. All we are suggesting is that the hides need not be purchased within the United States, because we need every hide we produce in this country for our own civilian economy and for reasons of national security.

Senator EASTLAND. I see that, but is it not a fact that your real objection, to get down to the fundamentals, is that you think this bill would have a tendency to increase hide prices. Fundamentally, is that not your basic objection?

Mr. GLASS. Yes, sir. That is one of our objections. It would tend, as Mr. Harriman pointed out, to create a dangerous situation.

Senator EASTLAND. That is debatable, but I am glad you agree that fundamentally it is because it would have a tendency to increase prices. Of course it would be only a moderate increase.

The CHAIRMAN. Have you completed your statement?

Mr. GLASS. Yes; I think I have, unless the Senators have any further questions they would like to address to me or to the representatives of the shoe industry.

The CHAIRMAN. We have got a couple more witnesses here and we would like to finish up by noon.

We are much obliged to you. That was a very good statement.

Mr. GLASS. Thank you, Mr. Chairman.

The CHAIRMAN. Next is Mr. W. W. Stephenson, executive vice president of the National Shoe Manufacturers Association of New York.

## STATEMENT OF W. W. STEPHENSON, EXECUTIVE VICE PRESIDENT, NATIONAL SHOE MANUFACTURERS ASSOCIATION, NEW YORK, N. Y.

Mr. STEPHENSON. I speak for the shoe manufacturers of the country generally, and want to subscribe to the things that Mr. Glass said about the economic effects of this bill and also to subscribe particularly to what he said about our willingness at all times to cooperate with the Army in its needs, but our continuing concern in regard to our hide supply.

I have no prepared statement but I have jotted down a few notes of things I would like to clarify and possibly while I am up here I should clarify a couple of points with respect to shoe prices.

With respect to the last discussion that was held here about the real reason of the tanning and shoe industries objection to the inclusion of hides bought in this country, I would say that the matter of price is only a part of that reason, insofar as we are concerned, but it is an important part for this reason: It is very obvious here, and all over

this country, that there is a keen interest in the price of shoes and whenever you increase the price of hides you increase the price of shoes.

Senator THYE. May I interrupt there? Is that basically a necessity or is it just a policy?

Mr. STEPHENSON. I would say it is basically a necessity because when you increase the cost of shoes you naturally increase the selling price of shoes.

Senator THYE. Well, the cost of the hide is reflected in the ultimate selling price of the shoes?

Mr. STEPHENSON. I will be glad to clarify that point. In fact, I want to. I have no other reason for being up here, if possible, except to clarify that particular point and I hope I can do it rather simply.

Senator EASTLAND. You believe in a free economy; do you not?

Mr. STEPHENSON. I certainly do.

Senator EASTLAND. You do not believe in Government control or regimentation of any kind; is that right?

Mr. STEPHENSON. That is right.

Senator EASTLAND. Then why do you not let it apply to hides in this country, and let them develop and do business where they want to? You want to sell shoes, you want to manufacture shoes, you want to put whatever mark-up or profit on your business that you desire, you want to handle it as you desire. Why should not the hide producers of this country have the same right to sell their product abroad; that is, to Japan and to Germany?

Mr. STEPHENSON. It would not appear to be necessary to make it obligatory for these purchases to be made in the United States when they historically have not been made in the United States.

Senator EASTLAND. When the American Congress is putting up money certainly they would want to push an American-produced product.

Mr. STEPHENSON. I would like to add one other point in connection with the basic reason for our objection along with the matter of price. We are concerned about supply as well as price.

Senator EASTLAND. American prices are cheaper than foreign prices; are they not?

Mr. STEPHENSON. Yes; they are. On this question of exporting hides last year, on which there has been considerable emphasis. My figures are we exported net something like 100,000 hides last year and we anticipate a take-off according to the Department of Agriculture figures, of at least 3,000,000 hides less this year. That makes a very substantial difference between 1947 and 1948, where we give emphasis to a very minor net export figure last year.

Senator EASTLAND. The worst that could happen under this bill, from your standpoint, would be, if there was a big export of hides from this country under this program, it would make the domestic price and the world price equal, make them level off with each other; would it not?

Mr. STEPHENSON. In addition to the drain on the domestic supply.

Senator EASTLAND. That is it. That is what would happen. The prices in this country and abroad would equalize each other.

Mr. STEPHENSON. Well, most of the prices that we are dealing with abroad, for example, Argentine prices, which is a very important

factor in this whole thing, are Government-controlled and Government-pegged prices.

Senator EASTLAND. It is just fundamental that your world price of hides or any other commodities under a set-up like this would equalize; is that not true?

Mr. STEPHENSON. It is possible.

Senator EASTLAND. Do you not think the American producer is entitled to the world price?

Mr. STEPHENSON. I think if we recognize that fact we must recognize that the American consumer has got to pay that bill in tremendous forms of money to support those higher prices. That is another recognition.

Senator EASTLAND. Why should the American producer be held down to an unnaturally low price?

Senator YOUNG. I think this is to the point: American agriculture has stepped up its production tremendously and in the future is going to have to find a world market. Back in those years where you say historically they have bought hides from some other country, during those years when we had a depression, the United States was importing more agricultural products than they were exporting. If we went back to that policy, the whole Nation would be backed up again.

Mr. STEPHENSON. We are not advocating for a moment that the American producers be excluded from world markets.

Senator EASTLAND. You are talking about historical markets. Historically, during the depression years, Europe was buying their products from South America and every other place except the United States, and one thing we ought to do to secure some form of economy that would work in the future would be to get for the United States some of those markets rather than purchase every other place but the United States, particularly now when we are appropriating the dollars.

Senator THOMAS. Let me make an observation and see if I am not correct. Is it not a fact that the selling price of shoes made in America are based on the cost of foreign hides?

Mr. STEPHENSON. No; I would not say that is true. It is based on the cost that the manufacturers in this country pay for the hides that they actually consume.

Senator THOMAS. Do you average them or do you have a price for shoes made from foreign hides and a price for shoes made from domestic hides?

Mr. STEPHENSON. They would probably average out but there are very few foreign hides used at the present time.

Senator THOMAS. 75,000,000 imported, according to this booklet which is in evidence?

Mr. STEPHENSON. Of course, a large portion of that 75,000,000 is sheepskin and not cattle hides.

Senator THOMAS. Let us see if they are.

Mr. STEPHENSON. I do not mean sheepskin. Sheepskin and kidskin.

Senator THOMAS. Foreign hides, cattle hides, 3,200 foreign calfskins, 42,000 foreign goatskins, and 26,000 foreign sheepskins come in.

Mr. STEPHENSON. You have 66,000,000 out of your total figure there, of sheep and goat skins.

Senator THYE. Then it would be reasonable to believe that we could be long on steerhides, cowhides, bullhides, and still be importing kids; could we not?

Mr. STEPHENSON. It could be reasonable and possible.

Senator THYE. You have found the situation to be that at times, have you not, when the slaughter of the matured animal was greater in number than your own consumer demand and you were still importing kid and that type of hide?

Mr. STEPHENSON. At the same time we have also imported some of the cattle hide too which we indicate that we were short. We had more cattle hide in relation to our needs, but we were not over on it, we were short, because we imported some. We import practically all of our goatskins and about half of our sheepskins.

Senator THYE. That is true, because historically you do not produce enough in this country to supply that need.

Mr. STEPHENSON. That is right.

Senator THYE. But we go back again to the fact that you might be long in steerhides and cowhides and find yourself compelled to import goat and kid and sheep hides from other countries. Consequently if we were shipping steerhides and cowhides to Janpan we would not disrupt your economy, because you could supply all your needs in that particular hide, and still you were importing the other hides, of which the production in the United States was not sufficient?

Mr. STEPHENSON. Senator Thye, you are stating the possibility, but it is a condition which does not exist, I would emphasize.

Senator THYE. You mean, it exists today or has existed?

Mr. STEPHENSON. It does not exist today, or has not existed, where we are long on any type of skins in this country.

Senator THYE. Is that the history?

Mr. STEPHENSON. That is the history and the condition today, where we need, year after year, and back over the years, more than we have here, not only of the lighter hide of the goats and sheep, but of the cattle hides as well.

Senator THYE. Thank you.

Mr. STEPHENSON. I observed in Colonel Baldwin's testimony no reference whatever to hides. I listened carefully. I heard him talk at length on the need for cotton textiles and the need for wool. I heard him make no reference to hides. I observed in Mr. Dodd's testimony, and in others, considerable emphasis on surplus and the acquiring of these materials through surplus, and I gather from that the possibility that there might not be as much emphasis on hides on the part of the Army as on these other commodities and I would like to point out that insofar as hides are concerned, as has certainly been established in the Harriman report, that there is no surplus in this country to draw upon, and particularly when we are faced with the possibility of 3 to 3½ million fewer hides this year than we had last year.

On this question of free markets, world prices, and so forth, these world markets are not free markets. I am wondering if the Senators would consider Argentine wheat prices as being the figures which should establish the world price on wheat. In other words, the $5

asking price of Argentina on wheat to me relates to the 31- or 32-cent asking price on hides which might be considered as the world price on hides if you want to look at it that way. That is not a free market price but it is a wholly manipulated and distorted price figure.

I would like to touch just briefly on this question of the relationship of hides and leather to shoes. As Mr. Glass brought out, the average price of shoes in January was $3.91. Now, you will remember, please, that we are dealing with averages; dealing with a composite of everything from a tiny little baby shoe up to the shoes we wear, or high work shoes, or women's very high priced or very low priced shoes, and about as good a rule of thumb as can be followed is to use Mr. Glass' figures that we believe to be correct, that the cost of the leather is represented about 50 to 60 percent by the raw hide. You can carry that figure right on to shoes.

In other words, the other 40 to 50 percent would be labor, tanning materials, overhead, taxes, and so forth. You can carry that same figure right on to shoes. Approximately 50 percent of the cost of a pair of shoes is leather, so using those figures, $1, on the average, of that composite shoe of $3.91 approximately will be the cost of the raw hide.

Senator THYE. Would you dispute the figure as to whether they could produce 20 pairs of shoes out of an ordinary matured animal's hide, such as a steer hide?

Mr. STEPHENSON. Senator, it becomes a very confused figure to try to deal with in a discussion of this kind.

Senator THYE. I would not want you to go into detail because I am not going to be able to stay here to get that explanation, nor am I qualified to debate it in detail, but do you differ with the statement that you can make 20 pairs of shoes out of 1 hide?

Mr. STEPHENSON. If you had only that cattle hide you could not make any shoes at all.

Senator THYE. The same point could be applied to a tree; a man could not make a house out of a tree that could be sawed up. But to get down to the fact, was Mr. Glass wrong in his statement that 20 pairs of shoes could be made out of a hide?

Mr. STEPHENSON. Taking that flat statement without the qualifications that Mr. Glass tried to add to it, in order to make 20 pairs of shoes out of that hide you have to have some sheepskins for lining and many other things which draw from your total hide supply to fill in that 20 pairs in order to use your basic hide for the production of 20 pairs of shoes. Taking that one hide alone, you could not do it.

Senator THYE. I do not want to belabor the point, but I was just interested in whether we were missing the point when we say 20 pairs of shoes could be made out of 1 hide.

Mr. STEPHENSON. But add in all of your sheepskins and your other materials which go in to complete that picture of construction.

Senator THYE. In other words, you think that if this bill were to provide for exportation of some of the hides to Japan under the provisions of the act, that it would seriously affect the shoe and leather-goods industry, causing a much higher price in the finished product. Is that your contention?

Mr. STEPHENSON. That is right; and I would add to that that it would draw from this country goods which we, purely from a supply standpoint, can ill afford to give up at this time.

Senator THYE. That is all the questions I have.

The CHAIRMAN. Thank you very much.

Our time is rather short, but we have got a couple more witnesses.

Mr. STEPHENSON. Thank yon, Mr. Chairman.

The CHAIRMAN. Mr. George Hess, president of the National Shoe Retailers Association.

## STATEMENT OF GILBERT A. HAHN, MEMBER, BOARD OF DIRECTORS, NATIONAL SHOE RETAILERS ASSOCIATION, WASHINGTON, D. C.

Mr. HAHN. Mr. Chairman, my name is not George Hess. Mr. Hess, who is the president of the National Shoe Retailers, was unable to attend, and I am substituting for him. My name is Gilbert Hahn, and I am representing the National Shoe Retailers, who represent the largest segment of the shoe retail industry in this country.

I have no prepared statement. My thought on this thing is very simple. I agree with what has been said before, and the only thing that I could add to it is that, owing the the limited supply of leather that has prevailed during recent months and years, the price of shoes, as we all know, has gone up considerably.

The result has been that the sale of shoes has gone down by a very appreciable amount. We feel that if anything it done to export hides out of this country that we are going to have a stiffening of prices again and a continuous high price, and even a higher price than we have today, which we think would be very bad for the shoe business, and the economy of the country in general. That is the sum and substance of my testimony.

I would be glad to answer any questions.

The CHAIRMAN. Thank you very much.

Mr. HAHN. Thank you, Mr. Chairman.

The CHAIRMAN. Now, we have one more witness.

Mr. Edward Atkins.

## STATEMENT OF EDWARD ATKINS, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF SHOE CHAIN STORES, NEW YORK, N. Y.

Mr. ATKINS. I will try to be as brief as I can.

The CHAIRMAN. We are kind of crowded for time. You may make a short statement.

Mr. ATKINS. There has been nothing said by the previous witnesses for the hide, leather, and shoe industries that we cannot agree with. We feel exactly the same as they do.

I speak for the retailers of the low-priced shoes of the country, people like Thom McAn and Sears, Roebuck, that sell for $5 and $6 a pair and that are worn by the majority of the people.

The CHAIRMAN. We have you listed as the National Association of Shoe Chain Stores.

Mr. ATKINS. That is correct. Statistics show that the public is able to spend, year in and year out, just about 2 percent of its available money for shoes. When shoe prices go up, it means they can buy fewer shoes. From the testimony that has been presented here, we feel very seriously that the export of these hides from out of the small supply that is available in this conntry would tend to stimulate higher leather prices and, in turn, higher shoe prices. That would

make fewer shoes available for the mass of the American people, a matter which is of serious concern to us.

I think that concludes what I have to say.

Thank you.

The CHAIRMAN. Thank you very much. Sorry we were running short of time.

Senator THOMAS. Mr. Chairman, the hearings have disclosed, I think, two different points that ought to be considered. One is with respect to wool, and the second is with respect to hides.

I move that you appoint a subcommittee to consider the wool angle and the hide angle, and then when they have made their consideration, that they be authorized to report the bill to the calendar after they consider the hide angle and the wool angle.

The CHAIRMAN. That is a good suggestion.

I am sorry we did not have a little more time, but I guess we have covered the ground pretty well.

The committee will now adjourn.

(Whereupon, at 12:10 p. m., the committee adjourned.)

# REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES

WEDNESDAY, MARCH 31, 1948

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON AGRICULTURE AND FORESTRY,
*Washington, D. C.*

The subcommittee met at 2:30 p. m., pursuant to recess, in the Senate Labor and Public Welfare Committee hearing room, Senator Milton R. Young (chairman of the subcommittee) presiding.

Present: Senators Young, Thye, and Thomas.

Also present: Senator Eastland.

Senator YOUNG. The meeting will come to order.

I have personally requested that Mr. Harold Tate, Chief of the Textile Division, Economic and Scientific Section, SCAP, appear before this committee and give us additional information as to how S. 2376 would affect the occupied areas.

## STATEMENT OF HAROLD TATE, CHIEF, TEXTILE DIVISION, ECONOMIC AND SCIENTIFIC SECTION, SUPREME COMMAND, ALLIED POWERS, TOKYO, JAPAN

Mr. TATE. I would like to start off by saying for the record that I cannot speak officially for the supreme commander for Allied Powers. The testimony which I give represents my personal opinion and is based upon my knowledge of the industry, from having been out in Japan in my present position. I have been there now for 2½ years and am vitally interested in the Japanese textile program.

Senator THOMAS. Where have you been?

Mr. TATE. In SCAP headquarters in charge of the Textile Division.

Senator THOMAS. Where have you been? What part of what country?

Mr. TATE. That was in Tokyo, Japan.

Senator THOMAS. Just the one part?

Mr. TATE. Yes, sir. I have traveled much over Japan, wherever the textile industry is centered.

Senator THOMAS. Give us a statement, if you will, of the condition of the textile mills in Japan.

Mr. TATE. All kinds of textiles?

Senator THOMAS. The kind that we might be interested in, wool and cotton.

Mr. TATE. A good statement on cotton textiles, I think, would be something like this: From a high peak of 13,700,000 spindles before

the war, Japan now has about 2,000,000 spindles operating. Our program for cotton textiles calls for 4,000,000 spindles.

Senator THOMAS. Are they prepared to get that many spindles in working order shortly, in your opinion?

Mr. TATE. In my opinion, I would say, within 2 years from now we will have that many spindles in working order. As a matter of fact, each month there is a slight increase in the number of spindles that get back into working order.

Senator THOMAS. What happened to those 10,000,000 or 12,000,000 spindles? Were they destroyed during the war?

Mr. TATE. Very few were destroyed by bombing, but a large majority were destroyed by the Japanese themselves for their own munitions. I would say around 9,000,000 spindles were destroyed by the Japanese themselves.

Senator EASTLAND. You mean for metal?

Mr. TATE. For metal; yes, sir.

Senator THOMAS. What is the condition of the domestic economy with respect to textile products at the present time? Do they have any supply on hand to speak of?

Mr. TATE. There is a good deal of cotton on hand, enough to operate right at present. As a matter of fact, we are manufacturing around 60,000,000 yards of cotton cloth a month now. We have about 400,000,000 yards stock-piled right now.

Senator THOMAS. How many bales does that represent?

Mr. TATE. I am not absolutely sure how many that would represent.

Senator THOMAS. Tell us how many bales of cotton Japan has on hand, if you know.

Mr. TATE. I would have to refer to my notes to get the exact amount. I am not absolutely sure, but would estimate around 300,000 bales. It takes about a 200,000-bale stock pile in order for the operation to be smooth, because as you know, probably, the cotton must be mixed in order to have an effective program.

Senator THYE. May I interrupt, sir? When you say "mixed," you mean mixed with what?

Mr. TATE. Other kinds of cotton.

Senator THYE. Other qualities of cotton or mixed with wool?

Mr. TATE. No.

Senator THYE. Just cotton?

Mr. TATE. No; just cotton.

Senator THYE. You take different qualities of cotton and mix it?

Mr. TATE. Yes, sir. For instance, you mix a Middling with a Strict Middling—with a Strict Low Middling sometimes—and sometimes you go as far as Strict and Ordinary.

Senator THYE. Thank you. I just did not understand that basis.

Mr. TATE. Our cotton situation is not so serious insofar as the amount of cotton we have on hand and the amount that we have earmarked if we can get some money to buy more, but our wool situation is very serious indeed.

Senator THOMAS. Tell us about that, if you will.

Mr. TATE. Before the war Japan was the second greatest wool-manufacturing country in the world. They manufactured around 900,000 bales a year, each bale weighing 300 pounds. That capacity in our new program has been cut down some.

For instance, from a high point of over a million spindles of worsted, we have cut down to 733,000 spindles. From a high of about 1,000 cards we have cut down to 815 woolen cards, but when we rehabilitate we will rehabilitate to a capacity of around 350,000 bales of wool a year. Of that we would like to export around 33⅓ percent in order to pay for the wool, so that that industry will be as self-sustaining as possible. But with a capacity right now of around 500,000 bales we have in Japan less than 5,000 bales of wool.

In other words, we have gotten done to where the industry is almost nonexistent, and if it continues much longer it will be nonexistent, and there you will kill a great industry in Japan.

Senator YOUNG. Where does your wool that you have had so far come from?

Mr. TATE. We have been getting some wool from Australia. I left Japan about February 1 to come over here, and to go to London on some textile matters. At that, we were trying to get wool from South Africa. I believe there have been inquiries also as to availability in the Argentine. We have had to consider also qualities of wool, as wool quality is a very important thing. We are unable to use just any plain wool.

Senator YOUNG. Would the quality of the wool that is now being held by the Commodity Credit Corporation be suitable?

Mr. TATE. I am not absolutely sure. I would say it would be suitable for something.

Senator THYE. What type of quality are you in need of? That might answer the question, Senator.

Mr. TATE. The general point would be a quality that we could at least export enough textile made thereof to pay for whatever we had bought.

Senator THYE. Would you want the short or would you want the coarse quality of wool? Do you know whether you would want the long fiber, the short fiber, the coarse fiber, or the fine fiber wool?

Mr. TATE. I do not recall at the moment the exact percentages we worked out on wool types, but we did work out a long list of percentages which showed the quality and quantities we needed of each. There is a good spread of mixes all the way from the fine merinos, of which there would be a very small percentage, to the much coarser wool, but just what that is I do not know. I would have to make a general answer that we want the program to be a sound one.

Senator THYE. Where have you been getting the money to obtain the raw materials that you have been obtaining to date in the general process of industrial revival over there?

Mr. TATE. You mean other things than wool?

Senator THYE. Yes.

Mr. TATE. We have not got enough wool to say.

Senator THYE. That is true, but you have gotten cotton.

Mr. TATE. Yes, sir.

Senator THYE. Where have you received the money from heretofore?

Mr. TATE. We got the cotton from the Commodity Credit Corporation.

Senator THYE. Where did you get your money? Through the Commodity Credit Corporation?

Mr. TATE. We got the money on credit to be paid back in dollars.

Senator THYE. They have to have either money or some assurance.
Senator EASTLAND. Money or goods.
Senator YOUNG. That is to be paid back in full by the army of occupation to the Commodity Credit Corporation?
Mr. TATE. Yes, sir; it must be paid in full in dollars.
Senator EASTLAND. Mr. Chairman, could I ask him a question?
Senator YOUNG. Surely.
Senator EASTLAND. As I understand as to wool, you desire all grades. You desire to buy some high grade wool to export; is that right?
Mr. TATE. That is right.
Senator EASTLAND. Have you plans for wool textiles for the people of Japan?
Mr. TATE. Yes, sir; we are planning for that. In fact, I would say we want to use 60 percent in Japan, mixed with other fibers, including cotton mixes.
Senator EASTLAND. That is for consumption in Japan?
Mr. TATE. That is right.
Senator EASTLAND. To pay for that you would take the profits from your textile operations to pay for clothing that is distributed in Japan?
Mr. TATE. That is what has happened up to date, and I think that would still be true.
Senator EASTLAND. Is it not your plan to use as much of the wool as the Commodity Credit Corporation has got—low-grade wool? If that wool would not sell readily in export markets, then to use it in your textile program in Japan and work it off in that way?
Mr. TATE. Yes. I would say broadly that would be true and that any wool we found could not be sold would have to be worked off into domestic sources.
Senator EASTLAND. I would like to ask you this question: Japan, you say, had the second largest wool manufacturing industry in the world before the war?
Mr. TATE. Yes, sir.
Senator EASTLAND. And you want to build that industry up?
Mr. TATE. We want to come back at least to this program that we have set up.
Senator EASTLAND. Ho whigh was it before the war?
Mr. TATE. 900,000 bales a year was the peak prewar consumption; the average was 600,000 to 800,000.
Senator EASTLAND. You want to build it up to what?
Mr. TATE. 650,000 bales per year.
Senator EASTLAND. Where is it right now?
Mr. TATE. Capacity is around 500,000 bales.
Senator EASTLAND. Are you operating on that basis with 5,000 bales of wool?
Mr. TATE. No.
Senator EASTLAND. On what basis are you running?
Mr. TATE. On what basis is it right now—you mean actually running?
Senator EASTLAND. Yes.
Mr. TATE. Almost none. We have got 5,000 bales.
Senator EASTLAND. Why is that?
Mr. TATE. We do not have any wool.
Senator EASTLAND. Because you cannot get the wool?
Mr. TATE. That is right.

Senator EASTLAND. Where are you going to get wool unless it is from the Commodity Credit Corporation here? What other source have you got?

Mr. TATE. Unless we can get it on credit or unless we can get it for sterling, some of which we may not have, we have no source.

Senator EASTLAND. But you have not been able to do that?

Mr. TATE. That is right.

Senator EASTLAND. To build that industry up, just speaking as a businessman, your best judgment, you have got only one source, and that is the wool stocks of the Commodity Credit Corporation; am I right?

Mr. TATE. That is right.

Senator EASTLAND. If this bill is enacted?

Mr. TATE. That is the way it looks now.

Senator EASTLAND. And if it is not enacted, then you are not going to get to run any industry?

Mr. TATE. With one exception: I think that since I left on February 1 a negotiation has been put through in Australia on wool, but I have had no confirmation of that officially.

Senator EASTLAND. How much?

Mr. TATE. I just found that out in London. Twelve thousand bales a month, which would just be a trickle.

Senator EASTLAND. That is right.

Senator THYE. What could be used if they were up to what you hoped would be your capacity now?

Mr. TATE. Forty thousand bales a month.

Senator THYE. And they have 12,000 bales?

Senator EASTLAND. Five thousand; less than 5,000.

Mr. TATE. We had 5,000 bales when I left there February 1.

Senator THYE. That is right.

Mr. TATE. What has happened to it I do not know.

Senator THYE. What was the amount for which you found negotiation had been made when you went to England?

Mr. TATE. Twelve thousand bales a month.

Senator THYE. That would be 12 times that for the year?

Mr. TATE. One hundred and forty-four thousand.

Senator EASTLAND. Is that a trade or negotiation?

Mr. TATE. I do not know how far it has gone.

Senator EASTLAND. That was the reason I asked the question the other day: Are we going to make the dollars available and those dollars become the financial means by which they would go and buy the clip or the wool from Australia, New Zealand, or any other country other than our own Commodity Credit Corporation?

I asked that question. Now, we discover that you have a limited amount of about 5,000 bales, but you learned as you passed through England that there had been negotiated for monthly 12,000 bales of wool?

Mr. TATE. Yes, sir.

Senator EASTLAND. Now, 12,000 bales of wool on a monthly basis—12 months represents a great amount of wool, and our dollars may be the means to pay for that wool, and that is my only concern. If our dollars are appropriated we must know that the wool now held by the Commodity Credit Corporation must go into the needs in Japan,

and that our dollars shall not be the means for the British Empire to sell some additional wool with.

Mr. TATE. Yes; I see.

Senator EASTLAND. Do you see the point?

Mr. TATE. I see your point.

Senator EASTLAND. That is the reason why it is very interesting.

You say "negotiated for." Now, I have had experience as chairman of this cotton committee that Senator George appointed a few years ago, with Government negotiations, and I know that we have been negotiating for private credits for cotton since last September and they never amount to anything.

Do you know whether that is just negotiations, just talk over there, or whether anything concrete has been done?

Mr. TATE. I do not know, sir. I wish I knew because it upset me not to know a thing until I found it out from London, and here I was very anxious to get the thing started, so I do not know how far it has proceeded.

Senator EASTLAND. As I understand, you have got to give the Japanese textiles?

Mr. TATE. Yes, sir.

Senator EASTLAND. You tell me it is a cold climate?

Mr. TATE. That is right.

Senator EASTLAND. And you take your profit from the operation of the industry to pay for wool textiles.

By the way, the profit from the operation of those cotton mills last year was $10,000,000 a month.

You take those profits to pay for wool textiles to give those people there. It would certainly be the height of foolishness to buy high-grade wool from Australia to manufacture goods for consumption in Japan, and as I understood, if you could not sell, could not export, goods made from low-grade wool the Commodity Credit has got, then that would supply your Japanese program; is that correct?

Mr. TATE. That is true. I would like to say this, sir: In setting this up, I think that there should not be too great a discrepancy between, say, what we would have to pay for such wool in this country and what we would have to pay for exactly the same quality in some other country.

In other words, if we had to pay 25 percent more for wool in this country of the same quality, it might be an unfair price.

Senator EASTLAND. I am going to disagree with you there, Mr. Tate. I have heard that argument in cotton. This Government is paying for the occupation of Japan. The taxpayers of this country are paying through the nose, and American products that it would increase must be worked off then just as much as possible, and those countries used as a market for the goods of this country, because if our people do not have purchasing power here we certainly cannot maintain and pay the occupation expenses of that country.

There is a stock of goods down there, a stock of wool down there, and they have several million bales of cotton that the American Government owns. The taxpayers of this country are stuck for it.

Well, if they can be worked off in Japan it certainly should be done regardless of price. After all, the Public Treasury is going to bear it one way or another. If you would pay the Commodity Credit Corporation 10 cents a pound more for wool, and you could buy that

same wool from the Argentine, say, and you manufactured that wool at a higher price, all you have done is reduced your profits from operating that industry, because your raw material has cost you more. That is true, is it not?

Mr. TATE. That is true.

Senator EASTLAND. You have just reduced the profit?

Mr. TATE. Yes; that is true.

Senator EASTLAND. But the Government is stuck, after all, is it not, because it owns the wool down there and all in the world we would be doing is taking the money out of one pocket and putting it back in another, while our people gain from the exploitation of that market, and work off a 10-percent surplus. If I know anything about agricultural economics, that reduces the price structure.

Senator THYE. If we could set up a credit of so many dollars' worth of cotton, so many dollars' worth of wool, or any of the fiber commodities here, ready to be drawn upon, that is the only way you could have the benefit of the appropriated dollars. Then we would know very well that our surpluses, our commodities, would go into that textile process.

Mr. TATE. Yes; you are right.

Senator THYE. In the event we set up $150,000,000, and that $150,000,000 is left to your discretion, you are just as anxious to make a splendid record in your enterprise or under your supervision as anyone else, so the result is that if you could buy the wool 25 cents cheaper in Australia, a better quality of wool we may say, it would be just perfectly human on your part to go to Australia and get your wool.

Mr. TATE. That is true.

Senator THYE. That is the only reason why I have raised the questions that I have raised. If I ever found that the American dollar had made possible the payment of any part of this 12,000 bales of wool that has been now negotiated for through the British Empire, if I ever found that that money was going to finance that transaction, I would say, "It was not so intended, and here is the record." That is my chief concern in this entire proposition. We know that you must have a revival of the industries in Japan if that nation is going to get back on its feet and we are not going to pay through some military channel for the support and assistance of those people. If a reconstruction of the industries there is accomplished, and then we will lessen the amount that we will appropriate through the Army channels, and that is a sound business proposition.

Senator EASTLAND. Senator, the Army now has the policy that appropriated funds may be used to purchase American products where those products can be obtained by appropriated funds. Where they could get Australian wool would be to take the dollars derived by profit from the manufacturing of the operation of Japanese industries and take those dollars and buy Australian wool, and on that basis we have helped buy agricultural commodities from other countries.

Mr. TATE. I would like to say also that every place where we have been able to buy American products we have done so.

Senator EASTLAND. That has been your policy. I know that.

Mr. TATE. We look very carefully.

Senator THYE. Are you familiar with the hide needs of Japan?

Mr. TATE. I cannot give you the figures. The production of leather goods comes under the Textile Division also but I cannot give you the

figures. I do know we need a lot of hides, particularly for industrial purposes. With an industry set-up like they have in Japan they have a tremendous need for belting and lug straps and things like that in the textile industry.

Senator THYE. Do they need the raw or finished hides?

Mr. TATE. They need the raw hides because they do not raise enough hides.

Senator THYE. Do they have the tanneries?

Mr. TATE. They have the tanneries.

Senator YOUNG. Are you familiar with the purchasing program of the occupied area of Japan?

Mr. TATE. I know most of the textile ones.

Senator YOUNG. I am thinking about those programs wherein the purchases, say, of foods are being made. What I was leading up to is, Are you having any trouble getting allocations and export licenses to purchase and export American foods?

Mr. TATE. I could not answer that question authoritatively. I do not know the answer to it.

Senator YOUNG. Are there any other questions?

Senator THOMAS. Do you think then that this money should be available to buy hides to send to Japan?

Mr. TATE. I would like to see as much leeway left in that as possible. If it came to whether or not the thing would pass without hides. I would say leave out hides if you possibly can, because the thing is so vital.

Senator THOMAS. Who is going to make the requisitions for goods under this bill if the bill is enacted? Who will decide how much wool shall be sent to Japan, how many green hides, how many pounds of hides, and how many bales of cotton, how much mohair and how much flax? Who will make those recommendations.

Mr. TATE. I am not absolutely sure of the answer to that.

Senator THOMAS. Who could do it?

Mr. TATE. The only thing I could do is give you a short story of how a thing like that happens in Japan.

Senator EASTLAND. Would not Mr. Draper and the War Department here have the authority there?

Mr. TATE. I would think that SCAP would have the authority. SCAP and SCAP's staff. I think what would happen is this: We would have a series of production plans, which would show the raw materials used and needed for this whole thing, and out of that would be set up the amounts to come in by commodities and by months and so on, and that would be the way it would be worked.

Senator THOMAS. Some group must not only make the requisitions for these different commodities but they must likewise make the requisitions for the kind of commodities.

Now, the Secretary of Agriculture has submitted this amendment to this bill:

> Only those types and grades of wool, mohair, and flax fiber, shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export. Stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades.

It seems like the Secretary there is to be considered and he should be final with respect to some features of this matter.

I would like to know who is to make the requisition for the quality and quantity, if we can find out.

Mr. TATE. I would say without knowing the answer in the absolute, sir, that SCAP would request either the Department of the Army or the Quartermaster or somebody, they might even ask CCC, to buy the desired qualities and amounts, but it looks like, from what they want in this amendment, that the only thing they would buy would be what the Secretary of Agriculture should say is available for export. They would not be able to go into a free market to buy, it looks like from that statement.

Senator THOMAS. Speaking as one member, I want to use this money to buy our own products so far as we have the products to sell.

Mr. TATE. I agree with that, but it looks like in that bill only those things available for export would be subject to being bought under that bill. Is that not the way you read it?

Senator THOMAS. We have a vast amount of wool on hand. It is a perplexing problem. We have been trying to find a way to get rid of it. Here is a chance to get rid of some of that wool and it seems to me it should be the policy of the Congress, if we are going to provide money for the buying of wool by foreign peoples, we should buy our own wool and send it out abroad without using our funds to buy Australian wool or any other kind of wool, so far as wool is encerned, and the same principle applies to everything else we have to buy.

Mr. TATE. Yes, sir.

Senator YOUNG. I believe this amendment would be quite plain: that only those types and grades of wool and flax fiber shall be purchased hereunder as the Secretary of Agriculture in the light of supplies on hand in the United States designates as available for export. I would take it in this amendment that the Secretary of Agriculture then would have to O. K. your purchases in other areas besides the United States too, that would be my interpretation. Would it not be yours?

Senator THOMAS. I do not want to get a divided authority here. If you do you will not get any place. Someone must be authorized on the one side to make requisitions, not only on the commodity but the quality.

Mr. TATE. I know that requisitions for SCAP are made by the Foreign Trade Division, when you say Foreign Trade Division, that means SCAP.

Senator THOMAS. Somebody ought to be authorized in this bill to have charge of this money.

Mr. TATE. Yes, I think that should be.

Senator THOMAS. If you get divided authority then you never get any place.

Mr. TATE. That is true.

Senator THOMAS. I would like to hear from the other gentlemen present here.

Senator YOUNG. Are there any other questions, Senator Thye and Senator Eastland?

Senator EASTLAND. What percentage of the production of Japan is textiles?

Mr. TATE. You would have to look at whether it is imported or domestic consumption, or whether it is going to be exported or not, but you could easily say over 50 percent.

Senator EASTLAND. Of course the profits from that reduces our occupation expense?

Mr. TATE. Yes.

Senator EASTLAND. What is going to happen if you do not get these credits?

Mr. TATE. If something does not happen so that we can keep the textile industry going in Japan, you just cut the throat of Japan. That is one of the worst things in the world for the textile industry to die in Japan now because they are absolutely dependent upon it in their economy.

Senator THOMAS. Would this amount of money do the job, in your opinion?

Mr. TATE. This amount of money will be a wonderful shot in the arm. After we get going, based on the present price of cotton alone, it is going to take $200,000,000 worth of cotton for Japan, so you can see just how far this will go. This is a wonderful shot in the arm.

Senator YOUNG. Thank you, Mr. Tate.

Is there anyone else who wants to make a statement before the committee?

Senator THOMAS. I would like to have the reaction of the Army if anyone cares to speak. I do not want to force them to speak, but if anyone has a statement to make in the light of the testimony of Mr. Tate I would like you to comment on it.

## STATEMENT OF LT. COL. O. J. BALDWIN, CHIEF OF TRADE AND COMMERCE SECTION, ECONOMICS BRANCH, CIVIL AFFAIRS DIVISION, UNITED STATES DEPARTMENT OF THE ARMY, WASHINGTON, D. C.—Resumed

Senator YOUNG. Will you give your name?

Colonel BALDWIN. I am Lieutenant Colonel Baldwin, Chief of the Trade and Commerce Section, Civil Affairs Division.

I think that there is one point that has been perhaps confused just a bit, and that is the difference between the textiles produced for export and the textiles produced for internal consumption in Japan.

What Mr. Tate has said about the whole program being some 665,000 bales per year is the target is true. That target is anticipated to be achieved by some time in 1949. The present capacity for the consumption of wool, as he said, is somewhere in the neighborhood of four to five hundred thousand bales per year, but the export capacity, which is really the capacity which Japan is most interested in, at present is around 225,000 bales. That export capacity would be self-liquidating. During the postwar period Japan has been held down in its internal consumption of wool to around a quarter of a pound per annum, per individual, as against a prewar consumption of around a pound and a quarter to a pound and a half, so that there is a tremendous vacuum there in terms of demand for low-grade wool for internal consumption, in fact, for all grades of wool.

I want to make quite clear that the 665,000 bales represented an across-the-board consumption for all purposes, both export and internal consumption. I think that is very significant.

Senator YOUNG. Who makes the authorization for the purchases in Japan?

Colonel BALDWIN. The purchases for Japan's needs are arrived at by a series of steps. There is first of all drawn up a production program based upon plant capacity labor, fuel, export possibilities, and so forth. That program involves end use and qualities of the end use material; for textiles it would involve the end materials and their exportability. From that program would be determined the cotton requirements by grades, wool requirements by types and qualities, and what the various other fibers and materials required would be. Those are brought together and combined into an over-all requirement; so many thousand bales of this, so many thousand bales of that, particular grades and staples, qualities, and so forth.

Those, then, became an import program. Commodities on that import program will have two end uses. One will be internal consumption, one will be for export purposes. SCAP then states those requirements. If he desires the Army to assist him in procurement through CCC channels or through other channels available to the Army, those requirements are submitted to the Army with a request for procurement against the specifications which SCAP has laid down. If the material is to be procured locally in China, India, Dutch Indies, Australia, or wherever it may be, then SCAP proceeds with the procurement on his own without reference to the Army.

Senator YOUNG. Suppose they wanted to get wool from Australia?

Colonel BALDWIN. The fund would not be available for the purchase of wool from Australia. As it is set up in the bill, it would be available only for the procurement of commodities in the United States produced by the United States.

Senator YOUNG. And the funds from the sale of any manufactured goods from this wool would go back into this revolving fund?

Colonel BALDWIN. That is exactly right.

Senator YOUNG. And it would come under the same provisions?

Colonel BALDWIN. That is right.

Senator EASTLAND. You mean enough to pay the fund?

Colonel BALDWIN. Enough to pay the fund, certainly.

Senator EASTLAND. Then your profit, of course, you could use that, if it is dollars, to buy goods from any country to go into Japanese cotton, and if you wanted to take that profit to buy Australian wool you could do that?

Colonel BALDWIN. One could do that.

Senator THOMAS. Under the terms of this bill when a requisition is made and the wool is found or the cotton is found or the flax is found, who is authorized to issue a Treasury check to pay it?

Colonel BALDWIN. The present procedure is that the funds are available for expenditure at the discretion of the Secretary of the Army. There are certain questions as to the procedures which would be used in actually expending that fund. Whether or not it would be handled on a sealed-bid basis or through open-market purchases, or negotiated purchases against letter of credit in either a foreign bank or an American bank is something that is yet to be determined. But the Secretary of the Army should be given considerable latitude, because frequently we encounter resistance to selling to the Government by those people who have small quantities against small quantities needed, just because of the delay involved in securing payment.

It takes 60 to 90 to 120 days sometimes to actually get all the papers in order and pay when procurement is made from appropriated funds.

Senator THYE. Why should there be such a delay when you have the funds available and it is only a matter of the Army proceeding? Is it just a routine delay that is customary?

Colonel BALDWIN. No. It is a case of there being laid down certain rules and regulations for the expenditure of appropriated funds.

Senator THYE. Cannot those rules and regulations be worked on to streamline them to such an extent that it does not require 90 to 120 days to process payment of a bill? Can't they be streamlined to permit payment of an authorized expenditure?

Colonel BALDWIN. The answer is "Yes." You gentlemen have that power. We do not.

Senator THYE. I know, but the funds are made available to the Army, and the Army has only two other responsibilities: to issue the order on the fund, and then to disburse it through the quartermaster.

Colonel BALDWIN. I wish it were that simple.

Senator THYE. Why cannot you do that? I am thinking about two or three governmental functions that have caused me more detail work across my desk than anything else, and I am just wondering why you cannot streamline it and get through some of that vast amount of red tape that requires so many people to scrutinize a certain transaction before that transaction is followed up and called a permanent file.

Colonel BALDWIN. The answer is that there are laid down certain procedures and rules for the handling of appropriated funds. The Treasury Department lays down part of them, they do not pay anybody's bill. It has to be supported by a great many documents and all sorts of certificates. The General Accounting Office also lays down accounting procedures which have to be complied with. The Army presents competitive procurement procedures, competitive sealed bids, that is, that must be complied with in the case of appropriated funds. Are these appropriated funds? They are.

Senator THYE. You would not be making a sealed bid to Commodity Credit Corporation because they are the only agency that could supply it.

Colonel BALDWIN. On wool, that is true. On the other hand, I think the Commodity Credit Corporation would be just as happy to have us go into the open market and buy that wool.

Senator THYE. Not on the wool that is now in storage over here?

Colonel BALDWIN. No, but in the United States, in wools of the qualities and the types that they have, and we would rather do it that way. We would save 2 percent commission. If we go into the open market and buy it at the same price there will be no real point to buying it through Commodity Credit Corporation.

Senator THYE. The commodity that we are concerned about here naturally is wool. There is only one interest that the majority of us have, and that is the rehabilitation of Japan to a point where Japan becomes self-supporting and our own dollars will not be going endlessly in there for support. That is the reason why we give thought to it.

The next question then is, Will this program enhance or will it in a sense deteriorate our own economy? If we have a great amount of

wool held by the Commodity Credit Corporation that is available, naturally we are going to move that wool. At least we should have the common sense to do that.

Colonel Baldwin. Let me answer your question this way, sir: When we bought the first big purchase of cotton from CCC we cleaned out CCC's stocks. They had nothing left. We wanted more cotton. They went out and bought it for us, but we paid them a 2-percent commission on it, which we could have saved had we bought it ourselves. But we did not buy it ourselves because we did not have the money. If we had had this fund available we could have bought the cotton direct and saved 2 percent on it. We would have saved the overhead involved in their handling the bids, in their handling procurement and shipping.

Now, assume for the moment, that we cleaned out all the CCC wool and still wanted more wool of that quality, would we have to buy it through CCC or could we buy it in the open market, the same wool which CCC would get under price support if we did not buy it? In that case, we need the money on a much more streamlined availability, so that we could buy it against a letter of credit or we could buy c. i. f. Japan or we could buy on some other basis that we could not buy under a strict interpretation of appropriated fund procedures. Do you follow my end argument there, sir?

Senator Thye. Yes.

Colonel Baldwin. Because it is a case of being able to handle these funds more flexibly than appropriated funds are normally handled that we wanted to have section 8 amended. This has not been presented yet but we would like to have section 8 amended to read in much the same way, in principle, that the European recovery bill reads, whereby the Administrator, or whoever handles the fund is authorized to make deposits in the commercial banks which would be available against negotiable paper presented by the shipper on letter of credit basis or on some other basis that may be established.

Senator Eastland. Is that the amendment you want?

Colonel Baldwin. I could not say that it was exactly but it does look like it is going in the right direction.

Senator Eastland. Will you just file it with the committee chairman.

Senator Young. It may be made a part of the record.

(The amendment referred to is as follows:)

## S. 2376. Suggested Amendment To Implement Authorized Use of Private Trade Channels

Add to section 8 the following language:

"In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expeditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Secretary of the Army, he may provide for the performance of any of the functions described in section 1 of this act—

"(a) By authorizing such performance by his duly authorized representatives, including occupying authorities or agencies or organizations representing such authorities, in accordance with normal commercial and banking practices used in such trade and without regard to the laws and regulations governing the obligation and expenditure of Government funds; and

"(b) By establishing accounts against which, under regulations prescribed by the Secretary of the Army—

"(i) Letters of commitment may be issued in connection with supply programs approved by the Secretary or his duly authorized representative (and such letters of commitment, when issued, shall constitute obligations of applicable appropriations);

"(ii) Withdrawals may be made by such duly authorized representatives including the occupying authorities, or agencies or organizations representing such authorities, upon presentation of contracts, invoices, or other documentation specified by the Secretary under arrangements prescribed by the Secretary to assure the use of such withdrawals for purposes approved by the Secretary. Such accounts may be established on the books of the Secretary of the Army, or any other department, agency, or establishment of the Government specified by the Secretary, or in banking institutions in the United States or branches thereof in the occupied area. Expenditures of funds which have been made available through accounts so established shall be accounted for and standard documentation required for expenditures of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Secretary may prescribe to assure expenditure in furtherance of the purposes of this Act, and such certification shall be binding on the accounting officers of the Government."

Colonel BALDWIN. I am not an expert on that. It would have to be looked at by the Army finance people but it looks like it is in the right direction.

Senator YOUNG. This is an amendment presented by the Department of Agriculture, a very short one. I wonder if you would care to express your opinion on that one.

Colonel BALDWIN. That I would have to take up with the proper people in the Army—however, it does not look good to me.

Senator THOMAS. Just a moment ago you stated that you did not know how this act could be carried into effect. What would you say to this sort of amendment: at the end of section 1, change the period to a semicolon and add the following proviso:

*Provided*, That the Secretary of the Army is hereby authorized to make all necessary rules and regulations for the efficient carrying into effect of the provisions of this act.

Would that not give you more needed authority for getting the needed commodities and getting them to Japan? Would that not give the Secretary authority to do that?

Colonel BALDWIN. It should, but you have me in rather deep water right now because I am not a legislative expert and I would have to have the proper people in the Army go over that.

Senator THOMAS. It will take some time to get this by the Senate and after it passes the Senate it must go through the House and they must have some hearings on it. By that time, could you not work out this uncertain element and have it ready to suggest to the House committee, and I think it is obvious that the House committee would agree to your version and they incorporate it as an amendment to this bill and when it comes back to the Senate we could consider it sympathetically and avoid delay?

Colonel BALDWIN. I think if I were to take the amendment that Senator Eastland had, and using it as a base, and probably unmodified, we could certainly come up with something that would be right in line with what would permit a more flexible operation.

Senator THOMAS. From what Mr. Tate says, this is rather a matter of extreme emergency. Appropriations are going to be crowding on us very shortly, and if we are going to get legislation of this kind through, we should do it with all dispatch.

Senator EASTLAND. What effect would this bill or a similar one have had on rehabilitating the occupied areas' economies if you had had it at the time of occupation?

Colonel BALDWIN. It is my personal opinion that if we had had a revolving fund much larger than this, but adequate revolving fund, 2 years ago, for use in the occupied areas to finance essential imports, that the appropriation which would be required this fiscal year, fiscal 1949, would be roughly $300,000,000 less for the occupied areas.

Senator EASTLAND. That is to feed the people?

Colonel BALDWIN. That is, against feeding and other minimum requirements.

Senator YOUNG. If there is no one else who wants to appear, we will go into executive session.

(Whereupon, the hearing in the above-entitled matter adjourned and the subcommittee went into executive session.)

(Additional statements filed with the committee are as follows:)

STATEMENT FILED BY F. E. MOLLIN, EXECUTIVE SECRETARY, AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

The following table, marked "Table No. 1," compares the price of beef steers at Chicago with the price of heavy native steer hides at Chicago for the years 1930 to 1946, inclusive, and also gives the average price for each classification for each month of the year 1947.

Following that information, at the bottom of the table, is shown the average price of beef steers at Chicago for the months of January and February 1948 and for the week of March 20 and the week of March 27, 1948. The comparable figures for heavy native-steer hides at Chicago for this early period in 1948 are not available, but we have inserted in the table current figures which are available able for the dates shown.

You will note from table No. 1 that historically the hide price, with few exceptions, runs considerably above the steer price at Chicago. I call your attention to the fact that from 1942 to 1945, inclusive, hide prices were rigidly controlled, whereas the control over cattle prices during the war period was considerably more flexible.

TABLE NO. 1

| Year | Beef steers, average price for 100 pounds, Chicago | Heavy native steer hides, Chicago (packers and country) |
|---|---|---|
| 1930 | $10.95 | $13.87 |
| 1931 | 8.06 | 9.06 |
| 1932 | 6.70 | 6.04 |
| 1933 | 5.42 | 9.67 |
| 1934 | 6.76 | 9.92 |
| 1935 | 10.26 | 12.97 |
| 1936 | 8.82 | 13.77 |
| 1937 | 11.47 | 16.95 |
| 1938 | 9.39 | 11.61 |
| 1939 | 9.75 | 12.13 |
| 1940 | 10.43 | 12.50 |
| 1941 | 11.33 | 14.49 |
| 1942 | 13.79 | 15.50 |
| 1943 | 15.30 | 15.50 |
| 1944 | 15.44 | 15.50 |
| 1945 | 16.18 | 15.50 |
| 1946 | 19.16 | 18.55 |
| 1947: | | |
| January | 22.16 | 29.43 |
| February | 21.94 | 23.25 |
| March | 23.30 | 22.75 |
| April | 22.93 | 22.48 |
| May | 24.06 | 22.25 |
| June | 25.87 | 22.75 |
| July | 27.85 | 26.00 |
| August | 28.84 | 29.00 |
| September | 29.54 | 29.75 |
| October | 29.82 | 32.75 |
| November | 29.52 | 37.25 |
| December | 29.08 | 36.67 |
| Average for year | 25.83 | 27.76 |
| 1948: | | |
| January | 29.16 | [1] 31.00 |
| February | 26.43 | [2] 23.50 |
| Week of Mar. 20 | 27.65 | [3] 23.50 |
| Week of Mar. 27 | 27.06 | [4] 22.00–22.50 |
| Mar. 29 | | 23.00–23.50 |

[1] Jan. 29
[2] Feb. 26.
[3] Mar. 1.
[4] Mar. 10.

Further, you will note from table No. 1. that currently the price of hides has dropped out of normal relationship to the price of steers, so that instead of bringing the usual premium over the average steer price they are today selling at a discount of around 3 to 4 cents a pound below the average steer price at Chicago.

Further, you will recall that testimony was presented at the hearing on the bill under consideration by representatives of the leather and shoe trade indicating that the present price of Argentine hides laid down in New York was around 31 cents per pound as compared with the current price on hides of heavy native steers, Chicago, of approximately 23 cents a pound.

Therefore it would appear that domestic hide prices are out of normal relationship with both current cattle prices in this country and with the price at which Argentine hides can and are being imported. As stated in the hearing, it is the normal practice to import into this country substantial quantities of cattle hides, particularly of the heavy hides, such as are produced in Argentina and used in this country for sole leather.

As a step to aid in restoring the domestic hide prices to the normal relationship both with domestic cattle prices and with world hide prices, we urge that hides should remain in S. 2376. We do so on the theory that it would provide a certain degree of protection to American cattle producers so that if hide prices in this country get too far out of line, as they are trending at the present time, exports could be arranged under pending bill to bring about a more normal and stable condition.

In particular, it might provide an outlet for hides of the lower grades which sometimes accumulate in this country and prove to be something of a drag on the market even to the extent of pulling down the price of hides in greater current demand.

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LETTER FILED BY HON. IRVING M. IVES, A UNITED STATES SENATOR FROM THE STATE OF NEW YORK

NEW YORK, N. Y., *March 31, 1948.*

Senator IRVING M. IVES,
*Washington, D. C.*

DEAR SENATOR IVES: This is in reference to the Aiken bill, S. 2376, in which tanners, shoe manufacturers, handbag manufacturers, glove producers, and other leather-goods industries of New York State are vitally interested. I am enclosing a memorandum which states the facts of the bill and the basis for our urgent objections to the inclusion of hides.

The Tanners' Council of America is the national trade association of the tanning industry. Its membership includes all of the tanners of New York State, ranging from the sole and harness plants in Buffalo, the tanneries at Gowanda, Endicott, and Johnson City, Fulton County, and metropolitan New York. All of these tanneries with their thousands of employees could be drastically hurt by passage of the Aiken bill.

Inclusion of hides in the bill is also highly dangerous to the shoe manufacturers in New York State. Any measure which might force hide prices up further will aggravate the dangerous condition facing shoe producers because prices are already too high to permit consumers to buy the shoes they need. The shoe industry of New York, which is the largest shoe-production State, joins us in protesting against including hides with cotton in the Aiken bill. There are approximately 40,000 employees in the shoe industry in New York, and rising hide prices threaten them with loss of employment.

New York State is also the leading State in the manufacture of handbags, luggage, and gloves. All of these industries are tremendously disturbed by the effort to put hides into the Aiken bill. It is noteworthy that the measure was introduced March 24; that hearings were rushed by the Senate Agriculture Committee on March 25.

All of the leather and leather-goods industries of the State, with more than 60,000 employees and annual pay rolls of almost $200,000,000, urge you to prevent passage of the Aiken bill in its present form and to assure deletion of hides from this measure. Our reasons are stated factually and objectively in the enclosed memorandum.

Sincerely yours,

IRVING R. GLASS,
*Executive vice president, Tanners' Council of America.*

MEMORANDUM

INCLUSION OF HIDES IN AIKEN BILL, S. 2376, UNNECESSARY AND DANGEROUS

*What the bill proposes*

Under S. 2376 it is proposed that a revolving fund of $150,000,000 be made available to the Army for the purchase of textile fibers and hides produced in the United States and for use in occupied areas. It is understood the bill originally contemplated only the purchase of cotton and low-grade wool fibers primarily for rehabilitation of the Japanese textile industry. Somehow or other, hides were included in the measure as introduced on March 24.

*United States a hide-deficit Nation*

It is absolutely necessary for the United States to import a substantial part of its hide requirements. This country is not and has never been a hide-exporting Nation because it is not self-sufficient in raw material for the leather and shoe industries. Shipments of hides from the United States to the occupied areas will seriously aggravate the inflationary condition which has already caused hardship to many consumers. Clear evidence is offered by the fact that per capita consumption of shoes has already dropped below the prewar level.

The Department of Agriculture has estimated a 15-percent decline in United States cattle slaughter in 1948. Lower slaughter has seriously reduced domestic hide supplies and intensified the dangerous consequences of shipping hides from this country to the occupied areas which have never secured their hide supplies from the United States. The packing-house strike has further curtailed available supplies of hides in the United States and increased the supply problems confronting tanners and shoe manufacturers.

*National security a major consideration*

Stocks now held by tanners are lower than in any prewar year. Before 1940, tanners held an average of better than 3,500,000 hides in leather. This was drained down by military needs during the war, when more than 40 percent of all leather was required by the armed forces, to less than 1,300,000 hides at present. There has been no significant recovery in stocks since the end of the war because supplies have been consistently scarce. Consequently the country does not have the stock pile which existed in 1940. There is every reason, therefore, to avoid any steps which would further diminish already low supplies within the United States. National security in troubled times should be a paramount consideration.

*Army does not deem hides necessary in Aiken bill*

Testimony presented to the Senate Agriculture Committee, March 30, indicated that the Army did not deem the addition of hides in the Aiken bill necessary or important. The Army is primarily concerned with textile fibers; it did not express any direct interest in hides. Colonel Baker, testifying for the Army, in reply to a specific question by one member of the Senate Agricultural Committee, denied that hides had been included at the request of SCAP. The leather and shoe industries do not question any Army policy decision requiring the purchase of hides for occupied areas. However, such purchases have been and can continue to be made in the historic world market supply sources for Japan and Germany.

*Inclusion of hides in Aiken bill stimulus to speculative forces*

The fact that hides have been linked with textile fibers in the Aiken bill has already produced a speculative upswing in the high cost of this commodity. The industries producing essential cost-of-living goods are further harassed by a needless increase in the cost of raw material. Raw hides represent 60 percent of the cost of making leather, and 85 percent of the leather produced in the United States is used to make shoes.

*Conclusion*

All the economic facts demonstrate the danger of including hides with cotton in the Aiken bill; the Army is not interested in seeing hides so included. There can be no valid objection to amendment of the bill eliminating hides entirely. If such raw material must be purchased by the occupation authorities, then such purchases should be made in the historic sources from which Japan and Germany have ordinary secured their supplies.

*United States hide and skin consumption—domestic supplies and necessary imports, 1937–41 average*

[000 omitted]

| | Hides | Calfskins and kips | Goatskins | Sheepskins |
|---|---|---|---|---|
| Domestic supplies | 15,863 | 11,916 | | 11,996 |
| Foreign supplies | 4,095 | 3,168 | 40,788 | 26,493 |
| Total consumption | 19,958 | 15,084 | 40,788 | 38,489 |
| Percent foreign | 20.5 | 21.0 | 100.0 | 68.8 |

Calendar No. 1138

80TH CONGRESS } SENATE { REPORT
2d Session } { No. 1099

# PROVIDING A REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS TO BE PROCESSED IN OCCUPIED AREAS AND SOLD

APRIL 6 (legislative day, MARCH 29), 1948.—Ordered to be printed

Mr. YOUNG, from the Committee on Agriculture and Forestry, submitted the following

## REPORT

[To accompany S. 2376]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, having considered the same, report thereon with a recommendation that it do pass with an amendment.

Strike out all after the enacting clause and insert in lieu thereof the following:

That notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time occupied by United States Forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the

date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act, the Secretary of the Army may sell such product for a lesser amount; but insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6 So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.

The committee amendment makes the following changes in the bill:

1. The original bill authorized the appropriation of $150,000,000 to constitute the revolving fund. As amended by the committee, the bill would direct the Secretary of the Treasury to loan up to that amount to the Secretary of the Army for establishment of the fund.

2. The bill is amended to delete hides from the number of agricultural commodities to be purchased with the fund.

3. A provision has been added to provide that in the case of wool, mohair, and flax fiber only those types and grades shall be purchased which are designated to be available for export by the Secretary of Agriculture; and stocks of such types and grades held by the Commodity Credit Corporation shall be purchased before other purchases are made of such types and grades.

4. An occupied area is redefined to include liberated areas occupied by United States forces as well as occupied areas which are occupied jointly with other Allied Powers.

5. The bill is amended to provide that goods processed from the raw materials purchased by the fund can be sold for currencies other than United States dollars. However, such receipts in an amount equal to the amount expended from the fund for such commodities, plus interest charges, must be converted to United States dollars and returned to the fund.

6. The original bill provided that prior to the time when there is no longer any occupied area within the meaning of the act, the President could terminate the use of the fund and require its proper liquidation. The committee has amended the bill to provide that the President or the Congress can initiate such action.

7. A provision is added to authorize the Secretary of the Army to make such rules and regulations as will expedite the program contemplated under this legislation.

A copy of the report of the subcommittee appointed to consider the bill and a copy of the report from the Secretary of the Army, Hon. Kenneth C. Royall, are attached hereto and made a part of this report.

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## Report of the Subcommittee of the Committee on Agriculture and Forestry on S. 2376

The subcommittee of the Committee on Agriculture and Forestry, appointed for the consideration of S. 2376, a bill to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, hereby reports to the committee with the recommendation that the bill be enacted with the following amendments.

On page 2, beginning with line 9, strike out all down to and including line 13 and insert in lieu thereof the following: "such processing: *Provided, however,* That in administering this Act the Secretary of the Army shall, wherever possible, purchase wool from the stocks now held or hereafter acquired by the Commodity Credit Corporation. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives, provided that a treaty of peace shall not have been ratified and confirmed for such an area."

On page 2, beginning with line 21, strike out all down to and including line 3, page 3, and insert in lieu thereof the following:

"(b) So much of the products obtained from such processing will be sold under such terms and for such currencies as may be necessary to accomplish the purpose of this Act, and so much of the proceeds of sale will be returned to the fund in United States dollars as is necessary to cover (1) all amounts expended from the fund in connection with such commodity plus (2) interest at 2½ per centum per annum on each such amount for the period from the time of its expenditures until its return to the fund."

On page 5, beginning with line 1, strike out all down to and including line 3, and insert in lieu thereof the following:

"Sec. 8. In providing for the performance of any of the functions described in section 1, the Secretary shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act."

The bill provides for the establishment of a revolving fund of $150,000,000, available to the Secretary of the Army, for the purchase of natural fibers and hides in the United States for processing in the occupied areas. Upon sale of the processed goods either in the domestic market of the occupied areas or for export, a sum equal to the amount withdrawn from the revolving fund plus 2½ percent interest would be returned to the fund in United States dollars. Any additional returns realized from the sale of the processed goods would be used by the Secretary of the Army for the benefit of the economy of the occupied areas in such manner as he deems fit.

AMENDMENTS

Section 1 of the bill is amended by the addition of a proviso that the Secretary of the Army shall, in the acquisition of wool for processing in occupied areas, give first consideration to the purchasing of wool from the stocks now held by the Commodity Credit Corporation. At present the Corporation owns or controls a considerable stock pile of certain grades of wool and while the Corporation has been empowered by the Congress to dispose of these stocks at competitive world prices, the selling of the stocks must proceed with caution in order to prevent disruption of the economy of the wool industry. It is the opinion of the subcommittee that every effort should be made in the export program contemplated under the pending bill to purchase wool from the existing stocks of the Corporation to the greatest possible extent. By utilizing the wool stocks of the Corporation in this program, the subcommittee believes two favorable results would be effected: The economy of the occupied areas would be benefited by the revival of wool manufacturing and at the same time the United States would be relieved of a burdensome supply of certain grades of wool.

Section 1 is also amended by redefining an occupied area. The purpose of this amendment is to authorize the processing of the materials procured under this program in liberated areas as well as in occupied enemy areas. The amendment also makes provision for a situation such as exists in bizonal Germany.

Section 2 is amended to permit the sale of the processed goods for currencies other than United States dollars when it is believed necessary. However, the currencies received for such goods eventually will be converted into United States dollars for the payment of funds withdrawn from the revolving fund.

Section 8 is amended to authorize the Secretary of the Army to make such rules and regulations as may be necessary to carry out the provisions of the act as efficiently and rapidly as possible. It is the opinion of the subcommittee that the urgency of the situation confronting the textile industry in the occupied areas requires administrative procedures which will expedite the program in every respect.

GENERAL STATEMENT

The bankrupt condition of the textile industry in the occupied areas plus the problem of inadequate supplies of raw materials give evidence for the need of a program such as contemplated under this legislation. Furthermore, it is apparent that in order to reduce certain occupation costs now being borne by the United States, some means must be provided for the recovery and reestablishment of a working, productive textile industry in those areas. Basing its judgment on testimony presented during hearings on the bill and a review of the situation, the subcommittee believes the establishment of a similar fund at the beginning of our occupation of Germany and Japan would have resulted in a substantial reduction in appropriations for that purpose by this time. For example, it was estimated by a competent witness that the appropriation for occupation requirements for the 1949 fiscal year would have been approximately $300,000,000 less if an adequate revolving fund had been established 2 years ago.

The textile plant of Japan is a case in point. The average spindle installation of that country from 1930 to 1934 was 8,170,000 spindles with an average production of 1,148,000,000 pounds of yarn. In the peak year of 1937, 1,590,600,000 pounds of yarn were produced with 12,190,000 spindles in operation. By January 1,1946, the industry had been reduced to an installed capacity of 2,300,000 spindles of which only 190,000 were operating, largely because of lack of cotton. Supplies of cotton were secured under a credit arrangement with the Commodity Credit Corporation but the stocks of that agency have now been exhausted. It is necessary that additional supplies of cotton be obtained immediately for the textile plants in Japan or a further reduction in textile production and closing of plants will result.

The same situation applies to wool manufacturing in Japan. Since the occupation of Japan in September 1945, only 176,000 bales of wool have been available for processing. In contrast, the ultimate planned capacity for domestic consumption is 455,000 bales of wool a year plus a planned capacity for export of 225,000 bales in manufactured goods. Prior to the war, Japan was the second largest wool manufacturing country in the world and was using between 600,000 and 800,000 bales a year.

While the above examples refer to Japan, similar problems are obstructing economic recovery in Germany. The subcommittee believes that the rebuilding

of the textile industries in these areas to self-sustaining programs is imperative and should be accomplished as soon as possible. Therefore, it urges favorable action on S. 2376 without delay.

MILTON R. YOUNG, *Chairman.*
EDWARD J. THYE.
ELMER THOMAS of Oklahoma.

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Hon. ARTHUR CAPPER,
*Chairman, Agriculture and Forestry Committee,*
*United States Senate.*

DEAR SENATOR CAPPER: In accordance with your request, herewith is report on enclosed draft of bill to provide a revolving fund for the purchase of agriculture commodities and raw materials to be processed in occupied areas and sold. This bill was not sponsored by the Department of the Army, but the Department favors enactment of the proposed legislation subject to changes hereinafter indicated.

The purpose of the proposed legislation is to make available to the Secretary of the Army or his duly authorized representative a revolving fund for the purchase of natural fibers and hides to be transported to the occupied areas and processed. Of the processed materials a sum sufficient to repay the withdrawals from the fund, plus interest at the rate of 2½ percent per annum, is to be returned to the fund in United States dollars. Any surpluses which may accrue beyond the amounts required to repay withdrawals from the fund, plus interest, shall be disposed of by the Secretary of the Army in such a manner as he deems fit for the benefit of the economy of the occupied area. Provisions in the bill also provide for sale of completed products in the event of a peace treaty, or if it shall appear that the products cannot be sold for the amount of funds expended, the products may be sold for a lesser amount but, insofar as possible, not less than the costs.

There are two changes recommended by the Department of the Army:

(*a*) It is recommended that section 1 (d) be changed to read as follows:

"(d) selling products obtained from such processing. For the purpose of this act an occupied area shall be considered as any liberated or occupied area, which is at the time occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives, provided that a treaty of peace shall not have been ratified and confirmed for such an area."

This change is requested so that the materials procured for processing may be processed in liberated areas as well as in occupied enemy areas and makes provision for a situation such as exists in bizonal Germany.

(*b*) It is also recommended that section 2 (b) be changed to read as follows:

"(b) So much of the products obtained from such processing will be sold under such terms and for such currencies, and so much of the proceeds of sale will be returned to the fund in United States dollars, as is necessary to cover (1) all amounts expended from the fund in connection with such commodity plus (2) interest of 2½ percent per annum on each such amount for the period from the time of its expenditure until its return to the fund."

The purpose of this change is to permit sales, when believed necessary, in currencies other than dollars. Subsequently, through trading transactions, such currencies would be converted into dollar proceeds, to the extent necessary to repay funds withdrawn from the revolving fund.

The Department of the Army supports this legislation in order that fibers, hides, and other materials may be made available for processing in the occupied areas. The occupied areas and the Department of the Army now have only very limited funds for financing such operations. Within the limits of dollars available in world markets for repayment of textiles and other products, it is believed that funds made available by the proposed bill would assist materially in reestablishing certain industries of the occupied areas and assist in achieving the objectives of the occupation.

The total sum of funds advanced at any one time under this bill shall not exceed the amount of the appropriation; namely, $150,000,000.

Due to time limitations, Bureau of the Budget clearance on this legislation has not yet been received.

Sincerely yours,

KENNETH C. ROYALL, *Secretary of the Army.*

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Calendar No. 1138

80TH CONGRESS
2D SESSION

# S. 2376

[Report No. 1099]

IN THE SENATE OF THE UNITED STATES

MARCH 24 (legislative day, MARCH 15), 1948

Mr. AIKEN (for himself, Mr. KEM, Mr. ROBERTSON of Wyoming, Mr. EASTLAND, Mr. STENNIS, Mr. HOEY, Mr. MAYBANK, Mr. MCFARLAND, Mr. STEWART, Mr. RUSSELL, Mr. ELLENDER, Mr. THOMAS of Oklahoma, Mr. MALONE, Mr. THYE, Mr. DOWNEY, Mr. WHERRY, Mr. JOHNSON of Colorado, Mr. WATKINS, Mr. GEORGE, Mr. HATCH, Mr. DWORSHAK, Mr. ECTON, Mr. CONNALLY, Mr. SPARKMAN, Mr. HILL, Mr. UMSTEAD, Mr. JOHNSTON of South Carolina, Mr. FULBRIGHT, Mr. O'DANIEL, Mr. MCCLELLAN, Mr. HOLLAND, Mr. PEPPER, Mr. MCKELLAR, Mr. MURRAY, Mr. THOMAS of Utah, Mr. MCCARRAN, Mr. YOUNG, Mr. LANGER, Mr. BUTLER, Mr. CHAVEZ, and Mr. OVERTON) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

APRIL 6 (legislative day, MARCH 29), 1948

Reported by Mr. YOUNG, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

# A BILL

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* ~~That there is hereby created a fund to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural~~

fibers (including cotton waste) and hides produced in the United States, and such other materials including starch, dyestuff, roller leather and card clothing as may be used in processing and finishing such fibers and hides; (b) transporting such fibers, hides, and other materials to occupied areas, making them available for processing, and having such fibers and hides processed in such areas; (c) insuring such fibers, hides, and materials and the products obtained from such processing; and (d) selling products obtained from such processing. For the purpose of this Act an occupied area shall be considered as any area occupied by United States forces within an enemy country and with respect to which a treaty of peace shall not have been ratified and confirmed.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold, and so much of the proceeds of sale will be returned to the fund, as is necessary to cover (1) all amounts expended from the fund in connection

with such commodity plus (2) interest of 2½ per centum per annum on each such amount for the period from the time of its expenditure to its return to the fund.

The interest paid into the fund as provided in clause 2 shall be transferred periodically from the fund to miscellaneous receipts of the Treasury.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent provided by section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be carried to the surplus fund of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to provide the amounts specified in clauses (1) and (2) of section 2 of this Act, and (b) shall cover the proceeds from such sales into the Treasury as miscellaneous receipts.

SEC. 5. Fibers, hides, and other materials purchased for

processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary may sell such product for a lesser amount; but insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. There is authorized to be appropriated to the Secretary of the Army the sum of $150,000,000 to constitute the fund.

SEC. 8. In providing for the performance of any of the

~~functions described in section 1 the Secretary shall to the maximum extent feasible utilize private channels of trade.~~ *That, notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before*

*other purchases are made of such types and grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: Provided, That a treaty of peace shall not have been ratified and confirmed for such an area.*

*SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—*

*(a) such commodity will be processed, or used in processing operations, in an occupied area; and*

*(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.*

*SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent*

*of the amounts specified in section 2, shall be returned to the fund.*

*SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.*

*SEC. 5. Fibers and other materials purchased for processing in any particular occupied area many, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from*

*the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.*

*SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.*

*SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.*

Calendar No. 1138

80TH CONGRESS
2D SESSION

# S. 2376

[Report No. 1099]

# A BILL

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

By Mr. AIKEN, Mr. KEM, Mr. ROBERTSON of Wyoming, Mr. EASTLAND, Mr. STENNIS, Mr. HOEY, Mr. MAYBANK, Mr. MCFARLAND, Mr. STEWART, Mr. RUSSELL, Mr. ELLENDER, Mr. THOMAS of Oklahoma, Mr. MALONE, Mr. THYE, Mr. DOWNEY, Mr. WHERRY, Mr. JOHNSON of Colorado, Mr. WATKINS, Mr. GEORGE, Mr. HATCH, Mr. DWORSHAK, Mr. ECTON, Mr. CONNALLY, Mr. SPARKMAN, Mr. HILL, Mr. UMSTEAD, Mr. JOHNSTON of South Carolina, Mr. FULBRIGHT, Mr. O'DANIEL, Mr. MCCLELLAN, Mr. HOLLAND, Mr. PEPPER, Mr. MCKELLAR, Mr. MURRAY, Mr. THOMAS of Utah, Mr. MCCARRAN, Mr. YOUNG, Mr. LANGER, Mr. BUTLER, Mr. CHAVEZ, and Mr. OVERTON

MARCH 24 (legislative day, MARCH 15), 1948
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APRIL 6 (legislative day, MARCH 29), 1948
Reported with an amendment

personnel, because of its obsolete pay scale for positions in the very highest career brackets.") Provides for the transposition of existing pay rates into those of the new schedule. Protects employees against any reduction of pay, by reason of the classification changes made in the bill, so long as they continue in the same position and grade. Lists 10 factors to be considered in allocating positions, which make it clear that supervisory positions are not to be classified solely on the basis of number of subordinates.

Directs the Civil Service Commission to prepare and publish standards for placing positions in their proper classes and grades. Requires departments and agencies to classify all positions, in both departmental and field services, in accordance with such standards. Provides that such allocations shall be final unless changed by the Commission. Directs the Commission to post-audit allocations and to require changes when it finds mistakes. Requires departments and agencies to continue submission to the Commission, for final action, of departmental positions not covered by the published standards. Authorizes the Commission to permit an employee to continue at his then existing rate, or at the rate at which he was appointed, when his position is placed in a lower grade to correct an error.

Expresses the waiting period, for administrative promotions, in terms of weeks instead of months (to avoid pay-period lags). Permits 3 administrative promotions above the maximum rate of the grade in certain cases of long and outstanding service. Permits appointments to be made at any rate of grade 11 or 12 if the Civil Service Commission gives prior approval. Provides flexibility with respect to establishing entrance rates in a temporary situation where, because of economic conditions, a sufficient number of qualified eligibles for positions of a given class cannot be secured in a given area or locality at the existing minimum rate for such class. Excludes all trades, crafts, and labor occupations from the Classification Act and provides for adjustment of their wages in a manner similar to private industry.

Title II provides new and higher rates of pay for certain major officials. Increases the salaries of department heads from $15,000 to $20,350, of Under Secretaries from $10,000 to $18,350, of Assistant Secretaries from $10,000 to $15,350, and of the Budget Director and the Comptroller General from $10,000 to $18,350; provides for a $16,850 deputy in the Budget Bureau and GAO, and fixes the salaries of various officials (including Civil Service Commissioners, the Librarian of Congress, and the Public Printer) at $16,850. Fixes a range of pay at $15,350, $16,850, and $18,350 for the heads of component parts of the Executive Office of the President (other than the Budget Bureau) and White House assistants.

Title III establishes a minimum annual pay of $2,350 for each full-time employee 18 years old or over. Raises the ceiling (in the Pay Act of 1945) from $10,000 to $11,500. Provides for pay increases, for employees under the Classification Act, of from $490 to $550 in addition to the rates mentioned above.

17. MEAT INSPECTION. Passed as reported S. 2256, to provide for meat inspection at Federal expense (p. 4400). As passed the bill continues the provision for overtime costs to be paid by the packers, pursuant to the Act of 1919.

18. GOLDEN NEMATODE. Passed without amendment S. 2137, which authorizes USDA to carry out operations against the golden nematode, independently or in cooperation with the State and local agencies involved; and to compensate growers of potatoes and tomatoes in infested areas for losses resulting when they refrain from planting in order to combat the nematode (pp. 4400-1).

19. NATIONAL FORESTS. Passed without amendment S. 2240, to include certain lands within the Uinta and Wasatch National Forests, Utah (pp. 4393-4).

20. WHEAT CARRYOVER. Discussed and passed over S. 2158, to repeal the requirement in the Foreign Aid Act of 1947 and the Third Supplemental Appropriation Act, 1948, that there be a carry-over of 150,000,000 bushels of wheat on July 1, 1948 (pp. 4397-9). Sen. Wherry, Nebr., asked that the bill go over and stated that he was doing so in behalf of Sen. Ball, Minn. (pp. 4397, 4399). Sen. Young, N.Dak., urged that the bill be passed and inserted correspondence between himself and the Secretary and a letter to Rep. Andresen, Minn., from the Russell-Miller Milling Co., urging repeal and including an analysis of the estimated use of wheat in 1949 (pp. 4397-9).

21. RECLAMATION. S. 499, to extend the reclamation laws to Arkansas, was made the unfinished business (p. 4416), and it was unanimously agreed that Sen. Fulbright, Ark., would be recognized today to speak on the bill (p. 4423).

22. FARM BANKRUPTCY. Passed as reported H.R. 4326, to extend until Mar. 1, 1949, the period within which petitions may be filed under Sec. 75 of the Bankruptcy Act (p. 4395).

23. SURPLUS LANDS. Passed as reported H.R. 3703, to authorize the transfer of certain surplus real property to the National Park Service (p. 4401).

24. PERSONNEL. Passed without amendment S. 2325, to enable certain former Government employees separated from the service subsequent to Jan. 23, 1942, to elect to forfeit their rights to civil service retirement annuities and obtain in lieu thereof return of their contributions with interest (p. 4391).

25. CREDIT UNION. Passed without amendment S. 2225, to transfer administration of the Federal Credit Union Act to the Federal Security Agency (p. 4390).

26. GRAZING LANDS. Passed without amendment S. 1874, authorizing the head of the department or agency using the public domain for national defense purposes to compensate holder of grazing permits and licenses for losses (p. 4393).

27. BILLS PASSED OVER. The following bills were among those passed over: S. 2376, to provide a revolving fund for the purchase of agricultural commodities to be processed in occupied areas and sold (p. 4399); and S. 580, to transfer from USDA to Interior certain O&C lands in Ore. (p. 4400).

28. NOMINATION. Confirmed the nomination of Thomas B. McCabe to be a member of the Board of Governors of the Federal Reserve System (pp. 4423-5, 4426).

29. FOREIGN AID. Sen. Thomas, Utah, inserted and discussed a London Daily Express editorial criticizing certain aspects of the ERP (pp. 4404-5).

30. HOUSING. Sen. Flanders, Vt., explained the various aspects of the housing bill, S. 866, and the amendments reported by the Banking and Currency Committee (pp. 4405-6).

## BILLS INTRODUCED

31. CCC CHARTER. H.R. H.R. 6214, by Rep. Wolcott, Mich., to provide a Federal charter for the Commodity Credit Corporation. To Banking and Currency Committee. (p. 4471.)

32. FARM LABOR. H.J.Res. 372, by Rep. Bender, Ohio, making an appropriation to assist in providing a supply and distribution of farm labor for the calendar years 1948 and 1949. To Appropriations Committee. (p. 4471.)

| | Bushels |
|---|---|
| Estimated export | 300,000,000 |
| Totai use | 1,001,000,000 |
| Probabie carry-over | 469,000,000 |

Your pessimistic estimate of oniy 900,000,000 bushels would still leave us 169,000,000 bushels carry-over at the end of the next crop year. With the increased crop prospects in Europe, there is no assurance that we can give Europe enough wheat to enabie us to export 300,000,000 bushels next year. If we had a calamity such as you fear, we would not have to export 300,000,000 bushels even if there is a demand for that much wheat next year. There is no gamble with a shortage but the gamble with a burdensome carry-over is too serious for us to take. Even the most selfish Congressman from the East would not want to go back to the conditions that prevailed when the buying power of the farmer was so low that there was no market for the manufactured goods from the East.

Flour or wheat not consumed this month or this year cannot be added to the requirements of next month or next year. That is why it is so important not to curtail consumption now when we have adequate supplies. With no restrictions the Department of Agriculture could not export enough flour and wheat the baiance of this crop year to reduce our carry-over to a dangerous basis. It is distinctly to the interest of the whole Northwest to remove this unnecessary iimitation on the carry-over of wheat.

Yours very truiy,

_____,

*Executive Vice President.*

*Analysis of estimated use next year*

| Domestic use: | Bushels |
|---|---|
| First 6 months this year | 262,000,000 |
| Historicai record indicates 54 percent use in first haif of year, which wouid indicate use in second haif of year | 223,000,000 |
| Total for year | 485,000,000 |
| Present use will have to increase or we will not use 485,000,000 busheis this year. | |
| Wheat used for seed: | |
| Seed used iast year | 87,487,000 |
| Estimate for next year | 88,000,000 |
| Wheat used for feed: | |
| Average yearly use 1931 to 1941 | 128,000,000 |
| Estimate for next year | 128,000,000 |
| Wheat exports: Estimate of Department of Agriculture for next year | 300,000,000 |

CARRY-OVER ANALYSIS

| | |
|---|---|
| Assistant Secretary of Agriculture Brannon's statement of carry-over | 158,000,000 |
| Domestic use shown in Mr. Brannon's statement | 510,000,000 |
| Actuai use first 6 months | 262,000,000 |
| Statistics show 54 percent of yearly use occurs in first 6 months. Projecting first 6 months' use on that basis indicates yearly use of | [1] 485,000,000 |
| Overstatement of domestic use | 25,000,000 |
| Feed requirements shown in Mr. Brannon's statement | 250,000,000 |
| Actual use for feed for first 6 months | 69,000,000 |

[1] If domestic use continues at present level, we will not use 485,000,000 bushels this year.

| 5 years' use of wheat for feed indicates 52.3 percent used in first 6 months. Projecting first 6 months' use on that basis indicates yearly use of | Bushels 132,000,000 |
|---|---|
| Safety factor | 28,000,000 |
| Probabie use of wheat for feed | 160,000,000 |
| Overstatement of wheat feeding | 90,000,000 |
| Actuai potential carry-over | 273,000,000 |

The PRESIDENT pro tempore. Without objection, the bill will go to the foot of the calendar, to be recalled.

The PRESIDENT pro tempore subsequently said: The consideration of the calendar having been concluded, the clerk will state by title Senate bill 2158, Calendar No. 1137, which went to the end of the calendar.

The CHIEF CLERK. A bill (S. 2158) to amend the Foreign Aid Act of 1947 and the Third Supplemental Appropriation Act of 1948, so as to eliminate certain provisions of such acts requiring the retention of a specified carry-over of wheat in the United States.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

Mr. KNOWLAND. Mr. President, was the objection heretofore raised satisfied? I understood the Senator from Minnesota [Mr. BALL] had asked that the bill go over.

Mr. YOUNG. The Senator from Minnesota has not withdrawn his objection.

Mr. KNOWLAND. Then I ask that the bill go over.

The PRESIDENT pro tempore. The bill will be passed over.

BILL PASSED OVER

The bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold was announced as next in order.

Mr. WHERRY. I ask that the bill be passed over.

The PRESIDENT pro tempore. The bill will be passed over.

HEMPSTEAD WAREHOUSE CORP.

The bill (H. R. 1498) for the relief of Hempstead Warehouse Corp., was announced as next in order.

Mr. WHERRY. Mr. President, reserving the right to object, I think that bill calls for an explanation. Is there a member of the Committee on the Judiciary present who can give us an explanation? If not, I suggest that it go over temporarily.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. WHERRY subsequently said: Mr. President, I ask unanimous consent to return to Calendar 1139, House bill 1498, for the relief of Hempstead Warehouse Corp. I now understand that the substitute bill provides relief whereby the applicant may be sued in the Court of Claims, and that the original amount of the appropriation has been denied. So I have no objection to the bill.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 1498) for the relief of Hempstead Warehouse Corp., which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That jurisdiction is hereby conferred upon the Court of Claims to hear, determine, and render judgment upon the claim of Hempstead Warehouse Corp., a New York corporation, against the United States for loss or damage sustained by it as owner of land adjacent to Mitchel Field, in Nassau County, N. Y., growing out of the extension and enlargement of Mitchel Field and any plans preparatory thereto and any use of said land in connection with the construction, use, and operation of said airfield as extended and enlarged, including but not iimited to the temporary possession and use of the land by the United States under an order for immediate possession made by the United States District Court for the Eastern District of New York, on the 30th day of June 1942. Suit upon such claim may be instituted at any time within 1 year after the date of enactment of this act, notwithstanding the lapse of time or any statute of limitations. Proceedings for the determination of such claim, and appeals from, and payment of, any judgment thereon shall be in the same manner as in the case of claims over which the Court of Claims has jurisdiction under section 145 of the Judicial Code, as amended.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

RELIEF OF CERTAIN OFFICERS AND EMPLOYEES OF THE TREASURY DEPARTMENT

The bill (S. 2131) for the relief of certain officers and employees of the Department of the Treasury was announced as next in order.

The PRESIDENT pro tempore. Senate bill 2131 is the same as Calendar No. 1148, House bill 5387. Is there objection to the substitution of the House bill for the Senate bill and the present consideration of the House bill?

There being no objection, the bill (H. R. 5387) for the relief of certain officers and employees of the Department of the Treasury, was considered, ordered to a third reading, read the third time, and passed.

The PRESIDENT pro tempore. Without objection, Senate bill 2131 is indefinitely postponed.

BERT HARRINGTON, JR.

The bill (H. R. 388) for the relief of Bert Harrington, Jr., was considered, ordered to a third reading, read the third time, and passed.

ERN WRIGHT

The Senate proceeded to consider the bill (S. 825) for the relief of Ern Wright, which had been reported from the Committee on the Judiciary, with an amend-

ment, to strike out all after the enacting clause and insert:

That, nothwithstanding the provisions of section 420 of the Federal Tort Claims Act, and subject to the provisions of section 422 of such act and the applicable provisions of part 3 of such act, the United States District Court for the District of Utah shall have the same jurisdiction, with respect to the claim of Ernest (Ern) Wright, of Salt Lake City, Utah, resulting from a collision between an automobile driven by Mr. Wright with another automobile driven by one Glen R. Woodward, in Salt Lake City, Utah, on November 10, 1943, that such court would have under the provisions of the Federal Tort Claims Act if such collision had occurred subsequent to January 1, 1945, and action on such claim had been timely brought: *Provided*, That such claim shall be forever barred unless action shall be brought thereon within 6 months after the date of approval of this act: *Provided further*, That no private bill or resolution, and no amendment to any bill or resolution, authorizing or directing the payment of money in settlement of, or otherwise recognizing, such claim except in accordance with a valid judgment rendered by such court, shall hereafter be received or considered in either the Senate or the House of Representatives.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

WILLIAM B. MOORE

The bill (H. R. 990) for the relief of William B. Moore was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (S. 580) relating to the administrative jurisdiction of certain public lands in the State of Oregon, was announced as next in order.

Mr. THOMAS of Utah. I ask that the bill go over.

The PRESIDENT pro tempore. The bill will be passed over.

ROBERT E. LAURITZEN

The Senate proceeded to consider the bill (S. 314) for the relief of Robert E. Lauritzen, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That the Secretary of the Army is authorized and directed to pay to Robert E. Lauritzen, of Pacific Grove, Calif., out of any funds available for the pay of the Army, the sum of $1,017.60, in full satisfaction of his claim against the United States for reimbursement of amounts paid as fines, and for losses of Army pay resulting from his reduction to the grade of private, pursuant to the sentence of court martial, such sentence having been set aside pursuant to the order of the Secretary of the Army dated November 21, 1947, as follows:

1. Having received and approved the recommendations of the Army Board on Correction of Military Records in the case of Robert E. Lauritzen, Army serial No. 39130813, dated November 17, 1947, and under the authority vested in me by section 207 of the Legislative Reorganization Act of 1946 (Public Law 601, 79th Cong.), the Adjutant General is directed to correct the military records of Robert E. Lauritzen, Army serial No. 39130813, to show—

a. that his conviction by special court martial on November 17, 1944, was in error and based on testimony subsequently discovered to be false;

b. that the applicant was a master sergeant from June 15, 1944, until October 20, 1945;

c. that the applicant lost no time under Article of War 107.

2. The Adjutant General is further directed to issue the applicant an honorable discharge in accordance with the record as corrected.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

MEAT INSPECTION SERVICE

The Senate proceeded to consider the bill (S. 2256) relating to the meat-inspection service of the Department of Agriculture, which had been reported from the Committee on Agriculture and Forestry, with an amendment.

Mr. KEM. Mr. President, last year in the appropriation bill the expense of meat inspection which had been paid by the Government, was placed upon the processors of the meat to be inspected. The theory of the bill is that it is an unsound arrangement, and that it is not proper for the processor to pay the expense of the inspection. The bill provides that the expense shall hereafter be borne by the United States. The testimony before the committee was to the effect that under the arrangement whereby the processors bear the cost, already a number of processors have become operators in intrastate commerce and have in that way removed themselves from the burden of bearing the cost of inspection. If the present arrangement is continued that procedure will continue, so that there will be a large amount of meat consumed by the American public which is not subject to health inspection.

The PRESIDENT pro tempore. The committee amendment will be stated.

The CHIEF CLERK. On page 1, line 6, after the words "United States" it is proposed to insert "except the cost of overtime pursuant to the act of July 24, 1919 (7 U. S. C. 394)."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the cost of inspection rendered on and after July 1, 1948, under the requirements of laws relating to Federal inspection of meat and meat food products shall be borne by the United States except the cost of overtime pursuant to the act of July 24, 1919 (7 U. S. C. 394).

PROTECTION OF POTATO AND TOMATO PRODUCTION FROM GOLDEN NEMATODE

The bill (S. 2137) to provide for the protection of potato and tomato production from the golden nematode, and for other purposes, which had been reported from the Committee on Agriculture and Forestry, was announced as next in order.

Mr. SALTONSTALL. Mr. President, I should like to ask why the Department of Agriculture cannot provide for the protection of potato and tomato production without a special bill for the purpose?

Mr. IVES. Mr. President, perhaps it would be advisable for me to give a very brief description of what the bill does and what its purpose is.

The golden nematode is an insect pest which attacks only two cultivated crops: potatoes and tomatoes. Once this organism infects a crop, its growth persists in the soil for at least 8 years, whether or not the host plant is present. The only effective method that is known at this time for suppressing its infestations and for deterring its spread is to refrain from growing potatoes or tomatoes on infested lands.

The golden-nematode disease has seriously affected the crops in several European countries, and in 1941 it was discovered that it had spread to this country. The dangerous nematode was identified on a farm near Hicksville, Long Island, and is now known to infest some 6,000 acres of farm land on Long Island, where, for the most part, it is confined to Nassau County. Examinations of other potato-raising sections of the United States have, thus far, not revealed infestation.

The golden nematode, when permitted to feed freely upon the potato and tomato crops, causes the plants to become increasingly small in size, thereby reducing the quality and worth of the crop in every respect. Losses range from 50 percent of the yield to total loss. The presence of the pest unchecked constitutes a threat to the Nation's two and one-half million acres of potato land, which had a cash value in 1946 of $466,000,000.

A campaign to eradicate the golden nematode has been carried on jointly by the Bureau of Plant Industry of the State of New York and the Bureau of Entomology and Plant Quarantine of the Federal Department of Agriculture. For several years the New York Legislature has made substantial appropriations, and this year its appropriation for this purpose was $420,000.

The funds are utilized in two ways, as part of the control program. A substantial part of the appropriations is used to recompense farmers for the loss they sustain in keeping their land completely out of potatoes for the protection of the entire industry. New York State allocates $94.75 per acre for each farmer cooperating in the drive to rid the soil of the nematode organism. At the same time soil treatment, costing about $60 per acre, and research are constantly being conducted to find a remedy for the disease.

Not growing potato or tomato crops on infested land is the essential part of the program to suppress the pest. The purpose of the bill is to authorize the Department of Agriculture to cooperate with the State of New York in compensating growers who sustain losses from the nongrowing of potatoes and tomatoes in carrying out the program of golden nematode control. The Department of Agriculture asserts that the legislation is sound in principle and that it would be in the interest of the Nation to strengthen and enlarge, in this way, the present program. No objection has been raised by the Bureau of the Budget.

Legislative precedents exist for this type of national program. The Department of Agriculture has authority to issue and enforce quarantines and to cooperate with State quarantine programs

# DIGEST OF CONGRESSIONAL PROCEEDINGS

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

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HIGHLIGHTS: Senate passed housing bill with amendment authorizing rural-housing loans and grants. Senate passed CCC charter bill. Senate passed wheat-carryover bill reducing requirement to 120,000,000 bu. Senate passed bill to provide for purchase of agricultural commodities for processing in occupied areas and sale. Senate received Harriman and Sawyer nominations. House committee reported CCC charter bill. House committee ordered reported bill to retire Government capital in banks for cooperatives. Reps. Andresen and Murray (Wis.) opposed oleo-tax repeal. House members of Joint Committee on Foreign Economic Cooperation appointed. Sen. Capper introduced bill to retire Government capital in banks for cooperatives.

## SENATE

1. HOUSING. Passed with amendments S. 866, the housing bill (pp. 4843-54). Agreed to the Young-Russell amendment regarding rural housing (pp. 4846-52).

This amendment authorizes the Secretary to borrow from the Treasury such sums as Congress may from time to time determine, to make loans for rural housing, but not over $25,000,000 on or after July 1, 1948; an additional $50,000,000 on or after July 1, 1949; and an additional $100,000,000 on or after July 1, 1951. In connection with such loans, authorizes the Secretary, on or before July 1, 1948, to make commitments for contributions aggregating not over $500,000 a year, and to make additional commitments on or after July 1 of each of the years 1949, 1950, and 1951 which will require aggregate contributions of not over $1,000,000, $1,500,000, and $2,000,000 annually, respectively. Authorizes appropriation to USDA (a) sums to permit payments on obligations to Treasury equal to the contributions and interest; (b) an additional $1,000,000 for grants on or after July 1, 1948, which amount would be increased by further amounts of $2,500,000, $4,000,000, and $5,000,000, on July 1 of each of the years 1949, 1950, and 1951, respectively; and (c) administrative expenses. Authorizes the Secretary to carry out this program through such agency personnel as he may determine. The program is to enable farm owners in the U.S., Alaska, Hawaii, and Puerto Rico to construct, improve, alter, repair, or replace dwellings and facilities incident to family living on their farms and to provide them, their tenants, lessees, sharecroppers, and laborers with decent, safe, and sanitary living conditions. In addition, the amendment authorizes the Secretary to furnish to all persons, without charge or at such charges as he may determine, technical services, advice, and information regarding rural dwellings and other farm buildings; authorizes the Secretary and the Housing & Home Finance Agency

to cooperate in research and technical studies in the rural-housing field; and permits the Secretary, in furnishing such services and information, to utilize, through the Extension Service, the facilities and services of the State agencies and educational institutions.

The bill also includes an authorization for housing research by the Housing and Home Finance Agency, utilizing existing facilities to the fullest practicable extent.

2. CCC CHARTER. Passed with amendments S. 1322, providing a Federal charter for CCC (pp. 4860, 4870-80). Agreed to the committee amendments (pp. 4870-2). Agreed to the Williams amendments to permit CCC to use private plants and facilities on a contract or fee basis, and to require the Corporation to use existing private trade channels, to the fullest extent practicable, for the marketing, sale, and distribution of agricultural commodities (pp. 4872-4). Agreed to the Williams amendment to provide for 4 CCC Board members (in addition to the Secretary), at $10,000, for 4-year terms, who would be appointed by the President and confirmed by the Senate (pp. 4872-7). Just before this amendment was agreed to, Sen. Aiken moved to modify it to provide for 6 members, but the motion was rejected (p. 4877). Agreed to the Byrd amendment to extend the Corporation through June 30, 1960, instead of perpetually (pp. 4877-8); Sen. Aiken accepted this amendment on the basis that it would put CCC on the same basis as RFC. Agreed to the Byrd amendment specifying the functions of CCC; Sen. Aiken said this amendment was in accord with the Committee's intentions (p. 4878). Agreed to the Byrd amendment to strike out the provision which, Sen. Byrd said, "permits the pooling of the administrative expenses of the Department of Agriculture and the Commodity Credit Corporation"(p. 4878). The bill, as passed, was printed in the Record (pp. 4878-80).

3. WHEAT CARRYOVER. Passed S. 2158, relating to the wheat-carryover requirement. Agreed to an amendment by Sen. Williams to reduce the carryover requirement from 150,000,000 bushels to 120,000,000 bushels rather than to provide for outright repeal of the requirement.(pp. 4854-5.)

4. FOREIGN AID. Passed as reported S. 2376, to provide for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold (pp. 4855-9). Agreed to the committee amendment (see Digest 65).

5. TARIFF. Agreed to H. Con. Res. 188, authorizing corrections in the enrolling of H. R. 5328, relating to the tariff on firewood and certain other woods (p.4880).

6. NOMINATIONS. Received from the President the nominations of W. Averell Harriman to be U. S. Special Representative in Europe on ERP and Charles Sawyer to be Secretary of Commerce (p. 4886).

7. REORGANIZATION. Sen. Lodge, Mass., inserted a statement by Herbert Hoover on the progress of the Commission on Organization of the Executive Branch of the Government (pp. 4842-3).

8. PENALTY MAIL. Received from the Post Office Department a report on penalty mail for part of the fiscal year 1947; to Post Office and Civil Service Committee (p. 4839).

9. TRADE AGREEMENTS. Sen. Myers, Pa., spoke in favor of continuation of the Reciprocal Trade Agreements Act (p. 4861).

10. RECESSED until Mon., Apr. 26 (p. 4886). Agreed to read the calendar at that time (p. 4886). Authorized the Appropriations Committee to report the first

Mr. BALDWIN. Apparently when this provision was adopted last year there was in prospect a shortage in the wheat crop, and it will be some time, as I understand, although I know nothing about wheat farming, before another crop is harvested. I am wondering if it is wise to remove the restriction all at one time. I am wondering whether it would have any effect upon the market. One hundred and fifty million bushels of wheat are to be held as a surplus. What might be the effect of releasing that wheat?

Mr. WILLIAMS. In my opinion, unquestionably it would have an effect on the market to the extent that the market would rise considerably. In fact, I think it is best explained by what took place within a few days after the bill was first introduced. The markets went up to the limit on that particular day. When the bill was reported by the Committee on Agriculture, the markets again went up. So far as I am able to see, there is no question but that repeal today will cause a rise in the commodity markets.

Mr. BALDWIN. If the Senator will yield further, one point made by the proponents of the bill is that there is need of some of this wheat to take care of the emergency situation in Europe. I was wondering if it is desirable to remove this restriction eventually, if it would not be better to remove it piecemeal than to remove it all at once; and there appears to be a compromise by which the Senator from North Dakota says he would be willing, as I understand it, to accept 100,000,000 bushels. The amendment offered by the Senator from Delaware calls for 140,000,000 bushels. I was wondering if there is not some middle ground that might be found on it.

Mr. WILLIAMS. I will say, if the Senator from North Dakota would agree to accept my substitute of 120,000,000 bushels, I would so amend it. I do this only because I would rather not gamble on my substitute bill being passed with the result there would be no restrictions left.

Mr. YOUNG. I would accept it with the understanding that my good friend, the poultryman from Delaware, and I, a wheat farmer, get together on our farming and cooperate. In that way, if the Senator would sell me a half interest in his poultry farm in Delaware on a slow note, perhaps we could agree——

Mr. WILLIAMS. I think the Senator from North Dakota owns most of the poultry farms in his State.

Mr. YOUNG. Mr. President, I will agree to the Senator's suggestion. I do not think it will have an ill effect on the market if the Commodity Credit Corporation buys its wheat in the orderly manner in which it should buy it.

The PRESIDENT pro tempore. Does the Chair correctly understand that the Senator from Delaware moves to amend the bill on page 3, line 4, by striking out "150,000,000 bushels" and substituting "120,000,000 bushels"?

Mr. WILLIAMS. No, Mr. President. I am advised by the legislative counsel that it cannot be done that way, because the bill as it is now on the desk proposes an outright repeal of all those features. I have a substitute bill, which I should like the clerk to read, and which I have sent to the desk. It strikes out "120" and inserts "140." It is in the form of a substitute bill instead of an amendment to the bill.

The PRESIDENT pro tempore. The clerk will read the bill in its revised form, using "120" instead of "140."

The LEGISLATIVE CLERK. It is proposed to strike out all after the enacting clause and to insert in lieu thereof the following:

That section 11 (b) of the Foreign Aid Act of 1947 is amended by striking out wherever it appears therein "one hundred and fifty million bushels" and inserting in lieu thereof "one hundred and twenty million bushels."

SEC. 2. The paragraph under the caption "Foreign Aid" in the Third Supplemental Appropriation Act, 1948, is amended—

(a) by striking out "one hundred and fifty million bushels" and inserting in lieu thereof "one hundred and twenty million bushels"; and

(b) by striking out "150,000,000 bushels" and inserting in lieu thereof "140,000,000 bushels."

The PRESIDENT pro tempore. The question is on agreeing to the amendment in the nature of a substitute offered by the Senator from Delaware [Mr. WILLIAMS].

The amendment was agreed to.

The PRESIDENT pro tempore. The question is on the engrossment and third reading of the bill.

The bill (S. 2158) was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to amend certain provisions of the Foreign Aid Act of 1947 and the Third Supplemental Appropriation Act, 1948, requiring the retention of a specified carry-over of wheat in the United States."

## REVOLVING FUND FOR PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS

Mr. WHERRY. Mr. President, I now move that the Senate proceed to the consideration of Calendar No. 1138, Senate bill 2376, to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

The PRESIDENT pro tempore. The clerk will state the bill by title.

The CHIEF CLERK. A bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Nebraska to proceed with the consideration of Senate bill 2376.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, which had been reported from the Committee on Agriculture and Forestry with an amendment to strike out all after the enacting clause and insert:

That, notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within 15 months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this act the Secretary of the Army shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this act, or at such earlier time as the President or the Congress shall determine that the fund is no longer required for the purposes of this act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such man-

ner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this act the Secretary of the Army may sell such product for a lesser amount but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this act.

The PRESIDENT pro tempore. The question is on agreeing to the substitute, which is open to further amendment.

Mr. WHERRY. Mr. President, I ask the Senator from North Dakota [Mr. YOUNG] to explain the substitute bill.

The PRESIDENT pro tempore. The Senator from North Dakota is recognized.

Mr. YOUNG. Mr. President, the proposed substitute involves the elimination of hides from the original bill. The original bill provided for the appropriation of $150,000,000 as a revolving fund to be used for the purchase of wools, cotton, and hides for the occupied areas of Germany, Japan, and Korea. The Committee on Agriculture amended the bill, first, to provide for a loan directly from the Treasury of $150,000,000 in place of an appropriation, and then it eliminated hides from the operation of the revolving fund. That was done on the insistence of shoe manufacturers and those interested in that industry. I might state, Mr. President, that officials in charge of the Governments of Japan and Germany stated that a fund such as this would permit them to reestablish the industries in Japan and Germany and save $2 in appropriations next year for every dollar provided in this way now.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. EASTLAND. Is it not a fact that by the operation of those industries in the past a net profit of $10,000,000 a month has been made and that the money has gone into the economy of Japan to reduce by that amount the money we have to appropriate?

Mr. YOUNG. Yes; that is correct. In the opinion of every expert who has been in those countries, unless we provide the raw materials to reestablish those industries we shall have to appropriate more money for years to come.

Mr. EASTLAND. We are presenting a bill which will actually save the Treasury several hundred million dollars.

Mr. YOUNG. I might add, Mr. President, that every dollar of the money is to be returned to the Treasury of the United States. It was the opinion of the committee that all of it would be returned.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment in the nature of a substitute.

Mr. BALL. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. BALL. Do I correctly understand that it would apply to Japan, Germany, Austria, and Korea?

Mr. YOUNG. Primarily to Japan.

Mr. EASTLAND. If the Senator will permit, it applies to all occupied areas. Its principal purpose is to acquire natural fibers, flax, cotton, wool, and mohair for Japan and Korea. Most of the money will be spent there.

Mr. BALL. Are we to purchase wool in the United States and ship it to Japan? I thought there was a shortage of wool.

Mr. EASTLAND. No. The Commodity Credit Corporation has a stock of approximately 200,000,000 pounds of low-grade wool, which is a drug on the market, and the Army will use that for Japanese industry.

Mr. YOUNG. The committee found that we were pretty well tied down to the purchase of surplus wool in the United States.

Mr. BALL. Where in the bill is the language which ties us down?

Mr. YOUNG. I think the Senator from Vermont [Mr. AIKEN] can explain it.

Mr. AIKEN. On page 5, line 19, it is provided as follows:

In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export, and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades.

That is to make sure that approximately 125,000,000 pounds of wool of a grade which our mills will not use today shall be disposed of before purchases of any other grades are made. It also makes sure that wool which is needed in this country to produce a finer type of textiles will not be sold out of the country, requiring this Nation to purchase wool back from Australia or some other country.

Mr. EASTLAND. The Senator will remember that the hearings show that the producers and manufacturers in the wool industry in this country favor the passage of this bill.

Mr. AIKEN. Yes. In this country we use either very coarse wool or fine wool. There is a grade in between which our mills will not use, which the Japanese mills are adapted to use, and which the Japanese people and their customers in the East will accept.

Mr. BALL. As I understand, the textile industry in Japan primarily processes cotton. Cotton is not included in the list of fibers which shall be bought only when in surplus.

Mr. AIKEN. Cotton is always in surplus.

Mr. EASTLAND. The textile industry in Japan is not primarily a cotton industry. Japan has the second largest wool-manufacturing industry in the world, and the proof shows that that tremendous industry spins from 900,000 to 1,000,000 bales a year. They have only 5,000 bales on hand. This is the only source where they can secure the raw material to be used in operating that industry.

Mr. BALL. As I recall, however, one of the complaints of industry in the years just before the war was that Japan was flooding the markets of the world with cotton textiles.

Mr. EASTLAND. An agreement was worked out before the war between the American textile industry and the Japanese, which operated perfectly. So far as the cotton textile industry is concerned, the textile manufacturers of the United States have had a mission in Japan. They came back with the report that the passage of the bill now pending was absolutely essential, and the president of the American Cotton Textile Institute appeared before the committee urging the passage of the bill. He has made several trips to Washington, to my knowledge, working for its passage, the object being to take the Japanese people out of the pockets of the United States.

Mr. BALL. Mr. President, will the Senator from North Dakota yield further?

Mr. YOUNG. I yield.

Mr. BALL. It is planned to purchase some cotton under the program, I take it.

Mr. EASTLAND. Yes.

Mr. BALL. Why not include cotton in line 19 in the list of fibers which shall be purchased only when the Secretary of Agriculture designates them as available for export? This is a kind of an ERP program for Japan, I take it, and there are tremendous quantities of cotton to be supplied to Europe under the European recovery program. I do not see why the same provision which we apply to wool, mohair, and flax fiber should not apply also to cotton.

Mr. EASTLAND. If the Senator from North Dakota will yield, I will explain that. It is because there is a shortage of those commodities. The United States is a deficit producer of those commodities, while we are a surplus producer of cotton. For that reason the provision in lines 19 to 24 was placed in the bill so that the Army would not be competing with the textile industry of this country for high-grade wool. The cotton textile industry took the position that there was plenty of cotton for itself and for supply to Europe and for the Japanese, and they urged the passage of the bill to permit the Army to go into the cotton market and buy what cotton it desired.

Mr. BALL. Does the Commodity Credit Corporation own any cotton?

Mr. EASTLAND. No.

Mr. BALL. As a matter of fact, then, if we should include cotton along with wool and flax fiber, it would have no

effect on the operations under the bill, as the Senator envisages them.

Mr. EASTLAND. No; it would have no effect, but there is utterly no point in putting them in, for the reason that we have a surplus of cotton, and those in this country who consume cotton, our textile industry, do not favor such a thing.

Mr. ROBERTSON of Wyoming. Mr. President, will the Senator from North Dakota yield?

Mr. YOUNG. I yield.

Mr. ROBERTSON of Wyoming. I wish to say, in regard to wool, that I agree entirely with what the distinguished Senator from Vermont [Mr. AIKEN] stated. The stock pile which the Commodity Credit Corporation has at present consists largely of low-grade wool, with little or no sale in the United States. As the distinguished Senator pointed out, the United States consumes the fine wools and the very coarse wools produced in this country. Consequently this stock pile has increased, until today it is advisable to get rid of it in some way, by selling it if possible. The pending bill presents an opportunity to do just that, and we feel it very necessary that wool should be included in the bill, so that the present stock pile of wool may be put to use in Japan.

Mr. AIKEN. Mr. President, will the Senator from North Dakota yield?

Mr. YOUNG. I yield.

Mr. AIKEN. I might add that I understand that at the present time there is a surplus of mohair in this country, which our mills will not use, and that the mohair producers, I believe mostly in Texas, have asked for some relief in marketing their product. The bill would provide such assistance to them, and without cost to the United States, because everyone who testified said there was no question at all that the money would be repaid in full. We also provide that the Treasury shall be reimbursed in full for all interest charges.

We provided for a loan from the Treasury rather than a direct appropriation to the Army, for the reason that the Treasury would then have some supervision over the loan, and would see to it that it was paid back at the proper time.

I think we are as well protected as is possible, both as to the loan and as to the danger of exporting fibers which might be needed in this country, as well as insuring that surplus stocks held in this country which would otherwise be a loss would be disposed of first.

Mr. BALL. Mr. President, will the Senator from North Dakota yield further?

Mr. YOUNG. I yield.

Mr. BALL. Is the primary purpose of the bill to promote economic recovery chiefly in Japan and Korea, or to take off the market in the United States certain surpluses which have developed?

Mr. YOUNG. I think it would have a twofold effect, but the whole thought originated with our officials in Japan, who are endeavoring to get raw materials for Japan and some manufacturing industries going so the Japanese may be able to earn some money for themselves.

Mr. BALL. Then the object is to promote economic recovery in the occupied areas?

Mr. YOUNG. Yes.

Mr. BALL. What puzzles me is why we are asked to follow this kind of approach in the case of Japan and Korea, as contrasted with our procedure in the case of the occupied zones in Germany and Austria, which are covered under the European recovery program. This is a new approach, putting the Secretary of the Army in the textile business in Japan with a capital of $150,000,000. We have not followed that procedure in regard to any other industry in any other occupied country. What is the reason for this radically different approach to the problem of economic recovery in Japan as compared with the approach we followed in the case of Germany?

Mr. EASTLAND. Mr. President, will the Senator from North Dakota yield?

Mr. YOUNG. I yield.

Mr. EASTLAND. It is not a radically different approach. We are not giving the Japanese anything. It might be a radically different approach in one aspect, but this program has been in effect for more than 2 years. Two years ago the Commodity Credit Corporation had large stocks of cotton on hand which it made available for spinning in Japan. That cotton was spun there, and the mills were operated, and, as I stated, a profit of $10,000,000 a month was realized, which went into the Japanese economy and reduced our cost of occupation by that much. The Commodity Credit Corporation was repaid all that was due it by virtue of that program, which has been very successful. The stocks of the Commodity Credit Corporation, so far as cotton is concerned, are now exhausted.

No funds are appropriated to the Army for the acquisition of cotton. Without such a measure as this, the Army is faced with the prospect of shutting down the textile industry of Japan; and if it does so, then our costs of occupation will be increased by $10,000,000 or $15,000,000 a month. The Army is faced with that situation if it does not obtain credit for the supplying of raw materials to Japan.

Mr. BALL. Mr. President, will the Senator from North Dakota yield for another question?

Mr. YOUNG. I yield.

Mr. BALL. I think it was Dr. Jacobs, of the Cotton Institute, who told me——

Mr. EASTLAND. Dr. Jacobs appeared as a representative of the manufacturers.

Mr. BALL. As I recall, he told me that in Japan there are now on hand stocks in warehouses, I believe he said, amounting to 5,000,000,000 yards of textiles which they are unable to sell. I wonder whether they are going to sell those textiles. If they cannot sell what is on hand, where are they going to sell what they will process out of the raw materials proposed to be obtained under the credits provided by the bill?

Mr. EASTLAND. That is a fair question, and I am glad the Senator from Minnesota asked it. Since Dr. Jacobs made that statement to the Senator, there has been a sale to Holland of $26,000,000 worth of textiles. That took care of a good part of the production. The Army has now established a system to dispose of its textiles. That system has been set up by one of the great textile men of the Nation, a man who was sales manager for the Cannon Mills. He is in charge of the project.

The Commodity Credit Corporation, the Army, those engaged in the cotton business, the cotton mills, all say that there is no doubt that there is a great need for textiles in the world, and that there will be no trouble in disposing of the textiles in question in the Far East. Engagements are being entered into at this time by which the textiles will be furnished to those who are engaged in the production of coconut oil, those who pick coconuts and prepare the copra.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. YOUNG. I yield.

Mr. MAYBANK. I should like to add a thought to what has heretofore been said. The Senator from Minnesota asked why we did this for Japan, and why we did not do it for the European recovery plan in Germany or France or other countries.

Mr. BALL. In Germany.

Mr. MAYBANK. Very well, in Germany. The thought is that Japan has always been a country which manufactured textiles, and that Japan exported those textiles. Germany was not a country which manufactured textiles. France, as the Senator well knows, borrowed from the International Bank certain funds for the purpose of obtaining cotton. But in Japan the manufacture of textiles has been an Army economy since the Army took charge. It has been an Army economy, but it has not been able to sell the goods which are produced in Japan to the Asiatic countries which are dependent on Japan for their goods.

Mr. EASTLAND. The Senator said they could not sell the goods. They have produced and sold textiles for over 2 years with a very satisfactory arrangement for all parties. The Commodity Credit Corporation has been repaid to the tune of several hundred million dollars for what it has advanced.

Mr. MAYBANK. I said the manufactured goods which the Senator from Mississippi spoke of as being on hand could not be disposed of in these countries without a revolving fund to be used to replace them. A large amount of cotton goods was sold the other day to the Dutch East Indies. Japan is a cotton-consuming nation and a cotton-exporting nation, insofar as the textiles are concerned. The Senator will agree to that statement, will he not?

Mr. EASTLAND. Yes.

Mr. BALL. Mr. President, I may say that I still cannot quite understand why, if they have been operating for 2 years, and have been making ten or fifteen million dollars a month on these textiles, and yet have this tremendous stock of textiles on hand which they cannot sell—and obviously the receipts from their sale could replenish their stock of raw material—we must, if there is a market for the textiles, put up $150,000,000 to buy raw materials for them.

Mr. EASTLAND. The stock of textiles is not there today. There has been a sale consummated since the Senator received the information of which he spoke. In the next place, this money has gone

into the Japanese economy. We had the choice in Congress of either putting up, I think it was approximately $300,000,000 in addiitonal appropriations to add to the cost of occupation, or of taking these profits and plowing them back into the economy of the country and reducing the cost of occupation. The latter is what the Army has done.

Mr. BALL. The Senator tells me first that the textile industry has been making $10,000,000 or $15,000,000 a month profit.

Mr. EASTLAND. Ten million dollars.

Mr. BALL. Ten million dollars a month profit.

Mr. EASTLAND. Yes.

Mr. BALL. That went back into the Japanese economy.

Mr. EASTLAND. Yes.

Mr. BALL. And our Army was running the economy of Japan.

Mr. EASTLAND. Yes.

Mr. BALL. And instead of setting aside at least part of that to buy raw materials to keep that industry going, they just plowed it all back, and now they wound up with no working fund for buying raw materials, and yet it is proposed to turn this $150,000,000 business over to the Secretary of the Army to operate.

Mr. EASTLAND. But credits have been furnished heretofore by the Commodity Credit Corporation, and they have been repaid. That has been the source of credit. The organization had some stocks of cotton. All those stocks are exhausted.

Mr. BALL. How much did that credit amount to; does the Senator know?

Mr. EASTLAND. Several hundred million dollars.

Mr. MAYBANK. The stock of cotton sold by the organization was a million bales, I may say.

Mr. AIKEN. Mr. President, I should like to make a statement so as to clarify the situation in the minds of Senators. The trouble is that Japan normally, before the war, had about 10,000,000 spindles in the textile industry. Their business has been so built up during the last 2 years through Commodity Credit Corporation funds for the purchase of cotton that somewhat more than 1,000,000 spindles have now come back into use. It is contemplated that it is safe to allow Japan to do a business that will mean the use of two or three million spindles, or about 20 to 25 percent of her former textile industry, without doing any violence to the textile industry of Japan's former enemies.

This industry has been financed through the Commodity Credit Corporation up to date, but the Commodity Credit Corporation, in financing this recovery program, has required that the product be sold for dollars. That means that when the capacity of Japan herself to consume has been reached, and she has to sell to the Dutch East Indies and India, Burma, or China, she may have to take her pay in rubber or crocodile skins or diamonds, or whatever she can obtain from the countries to whom she sells. The countries must barter between themselves. The bill would require them to barter at a price sufficient to convert the product into dollars to pay back the United States in full.

In the case of Germany, all cotton sent there has been used fully for rehabilitation within the country. But Japan is obliged to export. She will use all the cotton goods she now has on hand within Japan over a period of several months, and can repay the United States in full, but if she sends the goods out of the country, if she exports any of the goods, or increases the number of spindles in use, she must sell for something besides dollars. That means we have got to provide another means of financing that recovery program other than through the Commodity Credit Corporation, and a logical method seemed to be a direct loan from the Treasury, because I am sure the Treasury will see that the money is repaid when it should be repaid.

Mr. EASTLAND. Mr. President, will the Senator yield to me?

Mr. AIKEN. I yield.

Mr. EASTLAND. The Senator from Vermont spoke of further credits from the Commodity Credit Corporation. The Commodity Credit Corporation refuses to extend further credit for the reason that as it says, its funds are trust funds——

Mr. AIKEN. Yes.

Mr. EASTLAND. To be used for agricultural support prices, and that when those funds are diverted for any other purpose they violate the intent of Congress and breach their trust, and therefore they desire to hold those funds for the support of agricultural commodities.

Mr. BALL. Let me get the Commodity Credit Corporation transaction straight in my own mind. As I understand, the Commodity Credit Corporation never extended loans. It never extended credit in that sense. At one time it had bought cotton in support of the price, and was holding the cotton. It sold the cotton to the Japanese textile industry on credit.

Mr. EASTLAND. That is correct.

Mr. BALL. Does the Senator know what the total of that credit was?

Mr. AIKEN. The total amount has been about $200,000,000, of which I think $108,000,000 has been repaid. The remainder is being repaid as rapidly as the goods can be disposed of. The Commodity Credit Corporation has really been purchasing cotton for the Army. It is the purchasing agent for the armed services. It has been using its money to the extent of $200,000,000 for this purpose, and more than half of it has been repaid up to the present time.

Mr. BALL. The practical effect of this situation is that for a couple of years the Commodity Credit Corporation has been extending credit which formed working capital for the Japanese textile industry. It has now reached the point where it can no longer do so under its charter. This is a proposal for a direct loan from the Treasury to the Secretary of the Army, to provide working capital to the Japanese textile industry.

Mr. AIKEN. That is correct. The reason is that it will permit Japan to sell outside the Japanese area cotton goods which she manufactures.

Mr. MAYBANK. Mr. President, for the past 2 years the Commodity Credit Corporation has used the cotton which it received under loans to finance these operations, to be refunded in dollars. That cotton is gone. There is no more cotton left under loan. It has all been shipped away. The proposed fund of $150,000,000 would make it possible for the Army to buy cotton to ship to Japan to be sold. As the Senator from Vermont ably stated, under that arrangement foreign currencies would be convertible into dollars. The Commodity Credit Corporation is not allowed to do that. Japanese cotton goods must now be sold in the sterling areas.

Mr. EASTLAND. Mr. President, we have two choices. The first is to pass this bill and make this credit available. The second is to shut down the textile industry of Japan. We must do one or the other. If that textile industry, which represents 65 percent of the entire industrial production of Japan today, is shut down, then we must appropriate millions of dollars through the Army.

Mr. BALL. Can the Senator tell me about what proportion of the working capital will be spent for cotton fiber, and what proportion for other fibers?

Mr. EASTLAND. That will depend upon the sale of the commodities. They are not going to buy any cotton until they can sell it.

Mr. BALL. What is the past history? What is the status of the industry in Japan? About what proportion of cotton is used?

Mr. EASTLAND. There is no past history as to wool, because the wool industry was destroyed during the war, and only a few spindles have been operated. Wool was acquired from Australia under a barter agreement. Now those factories have been renovated, and the Japanese are able to engage in the manufacture of wool in a modest way, just as they are able to engage in the manufacture of cotton today only in a modest way.

Mr. BALL. I take it from what the Senator says that the bulk of the working capital for the first year or two will go for the purchase of cotton.

Mr. EASTLAND. No; I did not say that at all.

Mr. BALL. The Senator stated that only a relatively few spindles were in operation so far as wool was concerned.

Mr. EASTLAND. The Senator misunderstood me. I said that there was no wool history, because those factories were destroyed by bombing during the war. They have now been repaired, and today the Japanese can spin wool in a modest way if they secure this credit, as they can spin cotton in a modest way.

Mr. THYE. Mr. President, I may be able to add a little information on the question. When representatives of the Army presented the question to the committee they explained the need of raw materials from the United States, in order to operate the woolen mills in the same manner that the cotton mills are operated.

The other question which the committee considered at the time was the prospect that unless, to some extent, the economy of Japan was reestablished, we would have to continue to appropriate funds through the Army for the general

recovery of Japan. In the event this $150,000,000 were made available, we would get the benefit through the purchase of cotton and wool in America, rather than having our money appropriated through the Army for assistance to the Japanese economy. In the latter event Japan would acquire not only wool, but cotton, elsewhere in the world. In reality, our dollars would be financing that business transaction. It seemed better business for us to make a loan which would enable the Japanese economy to purchase not only wool, but cotton, from us, and which would permit a speedier recovery of Japan and a lessening of the actual outright appropriations we would have to make to the Army in support of Japan.

Mr. ELLENDER. Mr. President, I invite the attention of the distinguished Senator from Minnesota [Mr. BALL] to section 2 (b) of the pending measure, reading as follows:

SEC. 2. Neither the Secretary nor any duly authorized representative, shall use the fund created by this act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within 15 months after such date—

* * * * *

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this act.

The purpose of that section, as will be noted, is to permit the sale of the commodities manufactured for such currencies which can later be converted into American dollars, so as to cover the amount expended for the purchase of raw materials. As the distinguished Senator from Vermont [Mr. AIKEN] pointed out a few moments ago, what is causing difficulty in disposing of the goods now on hand in Japan is the fact that the commodities must be sold for dollars under the terms agreed upon with the Commodity Credit Corporation. Because of that situation, the sale of such commodities has been delayed. Such a situation will not prevail as to goods manufactured from raw materials acquired under the pending measure.

I am hopeful that the bill will pass without further delay.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The bill (S. 2376) was ordered to be engrossed for a third reading, read the third time, and passed.

## AMENDMENT OF SURPLUS PROPERTY ACT OF 1944

Mr. LANGER. Mr. President, I move that the Senate proceed to the consideration of House bill 2239, Calendar No. 895.

The PRESIDENT pro tempore. The bill will be read by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 2239) to amend section 13 (a) of the Surplus Property Act of 1944, as amended.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from North Dakota.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Expenditures in the Executive Departments with amendments.

Mr. FERGUSON obtained the floor.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. FERGUSON. I yield to the Senator from West Virginia.

Mr. REVERCOMB. Mr. President, I send to the desk an amendment, and ask that it be stated.

The PRESIDENT pro tempore. The Senator from West Virginia submits an amendment which cannot be considered until after the committee amendments are disposed of, unless the Senator's amendment is an amendment to a committee amendment.

Mr. REVERCOMB. Mr. President, I think it proper to consider my amendment after the committee amendments have been disposed of.

The PRESIDENT pro tempore. Without objection, the amendment will lie on the table.

Mr. FERGUSON. Mr. President, the pending bill, which would amend section 13 (a) of the Surplus Property Act of 1944 reads as follows:

*Be it enacted, etc.,* That section 13 (a) of the Surplus Property Act of 1944, as amended, is hereby amended by inserting a new paragraph as follows:

"(3) Surplus property certified by the Secretary of the Army, the Secretary of the Navy, or the Secretary of the Air Force, as the case may be, as being suitable and needed for use in training and maintaining any civilian component of the armed forces under his jurisdiction may be disposed of to States, their political subdivisions or tax-supported instrumentalities, subject to such terms and conditions as the Administrator determines to be necessary to properly protect the interests of the United States. Such disposals shall be without monetary consideration; *Provided,* That the Government shall be reimbursed for such costs incident to the disposal of the property as the Administrator may deem proper, including the expense of removal of any machinery, equipment, or personal property not transferred as a part of such disposal."

The present law allows certain transfers from the War Assets Administration to governmental bodies for the purpose of health or educational facilities. It was discovered that civilian components of the Army could not qualify as such institutions. At the present time National Guard organizations in the respective States are in need of certain property. That is also true of the Reserve Corps. This bill would enable National Guard organizations or Reserve Corps organizations, or civilian components of the Army to obtain property without necessarily paying the consideration which private agencies would be compelled to pay.

I think it is well to say that it is essential to build up the National Guard and the Reserve. It seems a waste of funds to require those agencies to purchase property for their needs when the Federal Government, which is later to use those facilities, has a surplus on hand.

The PRESIDENT pro tempore. The committee amendments will be stated.

The first amendment of the committee was, on page 1, in line 3, after the word "That", to strike out "paragraph (1) of."

The amendment was agreed to.

The next amendment was, in line 5, after the word "new", to strike out "section to be known as paragraph 13 (a) (3)", and insert "paragraph as follows":

The amendment was agreed to.

The next amendment was, in line 7, after the word "property", to strike out "available and suitable", and insert "certified by the Secretary of the Army, the Secretary of the Navy, or the Secretary of the Air Force, as the case may be, as being suitable and needed."

The amendment was agreed to.

The next amendment was, on page 2, in line 2, after the word "forces", to insert "under his jurisdiction."

The amendment was agreed to.

The PRESIDENT pro tempore. That completes the committee amendments.

The bill is open to further amendment, and the amendment submitted by the Senator from West Virginia [Mr. REVERCOMB] will be stated.

The CHIEF CLERK. On page 2, in line 12, after the word "disposal", it is proposed to insert "*Provided, however,* That the surplus lands in Mason County, W. Va., are hereby excepted from the operation of this act."

Mr. REVERCOMB. Mr. President, I think it appropriate to make a statement for the RECORD in regard to the amendment I have offered and which has just been read to the Senate.

A rather unusual situation exists in Mason County, W. Va., with respect to same surplus lands. I call attention to the fact that in the amendment the word "lands" is used, and no other kind of property there would be exempted.

During the war the Government purchased some 8,000 acres of land in that county, and there was erected a plant for the manufacture of explosives. It was known as the West Virginia Ordnance Works, and it was operated for the Government.

At the close of actual hostilities the War Department no longer needed the property and declared it surplus. Some of that property has been taken by the State, under its priority, and has been used as an experimental farming area. Another portion has been taken by the National Guard. I may say that I aided the National Guard all I could in helping it obtain a part of this property, and it now has the part that it desires.

There are some several thousand acres remaining. The people of the locality have been active in efforts to bring industrial plants into the area. Today there is high promise that that will be done. Transactions are under way which will bring industrial plants into the Mason County section.

In order that that progress may not be interfered with, I have offered the amendment. I have talked with the author of the bill, and he has very kindly and considerately agreed to the amendment. But I felt I should make the explanation to the Senate and that I should further show, if I may, so that it may be

understood, that there is no conflict in this case with the National Guard of my State. Therefore, I shall read from a letter from Gen. Charles R. Fox, adjutant general and head of the National Guard of West Virginia, under date of March 13, 1948, directed to me. He says:

I understand and appreciate your concern in the West Virginia Ordnance Works.

By that he means this ground—

But I assure you that even if the bill is passed we will not request any real estate at the West Virginia Ordnance Works which would interfere with the sale to an industry. I fully realize the need of additional employment in Mason County and will cooperate with you fully in your objectives.

I urge you to reconsider your objections to H. R. 2239 and to support its passage.

Mr. President, I wish to state that my sole concern is based upon the interests of the people of that county, who have conferred with me, and I wish to state that there is need for places of employment at that point.

Therefore, I ask that the amendment be adopted.

Mr. FERGUSON. Mr. President, inasmuch as this amendment applies to only one county in the State of West Virginia, the Senator from Michigan sees no objection to the amendment. If adopted, it would not interfere with the general purpose of the bill, which is applicable to all the States of the Union.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from West Virginia [Mr. REVERCOMB].

The amendment was agreed to.

The PRESIDENT pro tempore. Are there further amendments to be offered to the bill? If none, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

## FEDERAL CHARTER FOR COMMODITY CREDIT CORPORATION

Mr. LANGER. Mr. President, I move that the Senate proceed to the consideration of Senate bill 1322, providing a Federal charter for the Commodity Credit Corporation. The bill is Calendar No. 1064.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from North Dakota.

## TEMPORARY RETENTION OF GERMAN PAINTINGS

Mr. FULBRIGHT. Mr. President, on April 2, I introduced a bill providing for the temporary retention in this country of the German paintings now on exhibit at the National Gallery of Art.

This bill simply provides for their retention in this country until a government is recognized in Germany, and I believe that will be in conformity with the policy announced some 3 years ago by the President. The bill expressly recognizes the title of the Germans to these paintings. The principal purpose of the bill is to provide for the safety of the paintings until such a government is recognized. The bill also provides, purely as a permissive matter, that these paintings may be exhibited in this country under the supervision of the trustees of the National Gallery of Art.

A subcommittee of the Armed Services Committee held a hearing on this bill on April 16, under the chairmanship of the able Senator from Oregon. At the hearing, representatives of the Army, the State Department—represented by General Saltzman—the National Gallery, the Metropolitan Museum, the St. Louis Art Museum, the Art Digest, and several other groups appeared. It was an excellent hearing, and all present, except the representatives of the Army, favored the bill.

On April 13, before that hearing, the chairman of the Armed Services Committee of the Senate wrote to the Secretary of the Army, the Honorable Kenneth C. Royall. I wish to read a part of that letter, to indicate its principal point. I need not burden the record with all of the letter. This letter is signed by the chairman of the committee, and it reads in part as follows:

In view of the fact that the committee may not be able to reach a final decision previous to the termination of the present exhibition at the National Gallery of Art, and because of the great public interest shown in these paintings, it may be that you will wish to arrange for an extension of the present showing until such time as the committee can make its final decision on the matter.

Further, it is the committee's feeling that the present date set by the Army for the return of these pictures to Germany should be canceled, and that no substitute date should be announced until such time as the legislation has been finally acted upon.

I call particular attention, Mr. President, to the last paragraph of the letter which I have just read.

In response to that letter, on April 17, the Secretary of the Army addressed a letter to the Honorable CHAN GURNEY, chairman of the Senate Armed Services Committee. The letter is rather long, but the last paragraph relates to the point I wish to bring out. He says:

However, in response to your request and to give your committee opportunity for further consideration of this matter, I have asked the National Gallery to continue its exhibit for another week, after which I am firmly of the opinion that the pictures should be returned to Germany.

Mr. President, in view of the Nationwide interest in these paintings and the strong letter from the Chairman of the Committee requesting a delay by the Army in the return of the paintings to Germany, I am astonished at the reply which has been made by the Secretary of the Army. To my mind, this answer to a reasonable request by the Senate committee evidences a lack of respect for the Senate. The Army knows very well that the Senate can not possibly reach a decision on this matter by next Monday. The Armed Services certainly have not been able to act very quickly in their own reformation, and I am sure they do not believe that the Senate can act on this matter before next week.

This letter of the Army is, I fear, only typical of an arrogance which all too often characterizes the attitude of the military toward the democratic process and toward the Congress. Apparently the purpose of the Army is to foreclose action by the Congress in this matter. The reasons given by the Army, which apparently are those of General Clay, seem to me to pertain to matters which are not strictly within the purview of the Army. Such matters should be decided by the State Department or by the Congress. I might say the State Department ought to be consulted, and particularly that division of the State Department concerned with our public relations. I refer to the Assistant Secretary, Mr. George Allen. Throughout the dealing with these pictures, the Army has treated the matter as a restricted one, being very careful, until very recently, to keep from the public and from the press what their purpose was. I wish to quote from a hearing on March 4, conducted by a subcommittee of the Armed Services Committee of the Senate, at which only one witness appeared; that is, the Army's witness, Colonel Riggs. The result of that hearing was that the chairman of the subcommittee agreed that the ownership of the paintings was settled by our agreement under the Hague convention concerning articles which may be considered loot or booty of war. In the hearing on March 4 there is one sentence, on page 7 of the transcript, which I think shows fairly clear what the attitude of the Army has been. I want to quote that sentence:

The basic reason for close guarding of the secret has been to prevent conjecture and debate in the press before the position of the Government could be entirely confirmed.

In other words, throughout the handling of the paintings up until the time of the exhibition, which was a little over a month ago, the Army very carefully kept from the public any notice of their plans or any announcement of them. That is one reason why we have had no opportunity to pass upon the subject or to consider it in the Senate.

The pictures have been in storage in the National Gallery of Art for 3 years, and during that period they were not permitted to be exhibited, although I am informed that such institutions as the Metropolitan Museum of Art, New York, had requested them. In view of that long sojourn in the museum, the unseemly haste with which they must move now, as the letter from the Secretary of the Army indicates, seems to me quite unreasonable, and I think the very least the Army can do is to give the Senate an opportunity to consider the matter and to pass upon it.

I am not so concerned today with what the ultimate decision of the Senate may be, as I am that the Senate may not be foreclosed from passing upon the question. I think the least to be expected is that we shall have an opportunity to pass on it. If the committee decides that the paintings must be returned now, I shall be perfectly content with the decision. If, on the other hand, it decides that the matter should be presented to the Senate for decision, I certainly think that ought to be done, and that the Army ought not to foreclose that decision by shipping the paintings back to Germany before we have had an opportunity of passing upon the subject.

80TH CONGRESS
2D SESSION

# S. 2376

IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 1948

Referred to the Committee on Armed Services

# AN ACT

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including

cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided,* That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for

the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with

orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale

of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.

Passed the Senate April 22, 1948.

Attest: CARL A. LOEFFLER,

*Secretary.*

80TH CONGRESS
2D SESSION

# S. 2376

## AN ACT

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

APRIL 26, 1948
Referred to the Committee on Armed Services

[No. 274]

# SUBCOMMITTEE HEARINGS ON S. 2376, TO PROVIDE FOR A REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS TO BE PROCESSED IN OCCUPIED AREAS AND SOLD

House of Representatives,
Committee on Armed Services,
Subcommittee No. 6, Procurement and Supply,
*Monday, May 10, 1948.*

The subcommittee met, at 10 a. m., Hon. Jack Z. Anderson (chairman of the subcommittee), presiding.

Mr. Anderson. The committee will please be in order.

The hearing this morning is called to consider S. 2376.

I understand that Senator Eastland, of Mississippi, is with us this morning. Senator, the committee would be very pleased to have you make any statement in connection with this legislation that you would care to make.

Senator Eastland. Thank you, Mr. Chairman.

## STATEMENT BY HON. JAMES O. EASTLAND, UNITED STATES SENATOR, STATE OF MISSISSIPPI

Senator Eastland. Mr. Chairman, this bill was introduced in the Senate by 42 Members of the Senate. It grew out of an informal cotton committee that was set up by the Senators from cotton States. On that committee were Mr. Maybank, Mr. Sparkman, I was the other Democrat, Senator Kem and Senator Knowland of California.

We received information, over 18 months ago, that the textile industry in Japan was running out of cotton.

Now, that industry was making a big profit, that would go into the economy of Japan and reduce our occupation costs.

We worked with the different departments in an attempt to finance the sale of the American product for that country. We saw that a system had to be set up to secure credits for the shipment of raw materials from this country over there to run their industry. Heretofore they had been furnished cotton and other fibers from stocks in the Commodity Credit Corporation, but because there was no system those mills would have to curtail operations when they had run out of the raw products. For instance, as I remember the figures, a year ago the industry in Japan had to cut its production 60 percent; in Korea they had to shut down—simply because there was no system to get credit to buy the products.

This was the idea of that committee, which was, as I said, nonpartisan, consisting of both Republicans and Democrats. I took it up with Mr. Draper—he took it up with the Army officials—and he agreed with us.

Now, roughly, here is the necessity for this bill. Heretofore, 65 percent of the industrial production of Japan has been cotton textiles. That production has run them, on an average, a net profit of $10,000,000 a month, in dollars. That $10,000,000 a month was used to buy food and the necessities for the Japanese. Without that ten millions of dollars the Congress would be forced to appropriate that much in addition to what is now appropriated.

Heretofore we have used the stocks of the Commodity Credit Corporation—that is, surplus stocks—and they financed these shipments to Japan. Those stocks are exhausted.

The Commodity Credit Corporation takes the position—and it is sound—that their funds are trust funds, used to support agricultural prices, and that they have no legal authority to continue to finance shipments abroad.

In addition to cotton—and let me make this statement right there: If this bill is enacted, my State will not sell one bale of cotton. If this bill is enacted, Georgia, Alabama, Louisiana, Arkansas, North Carolina, and South Carolina will not sell a bale of cotton under the program. And I have, as one of the Senators of Mississippi, no personal interest at all in the outcome of this legislation. The States that are involved are to a very limited degree the plains of west Texas and the far West—Arizona and California. The State of California, which has historically shipped its cotton crop because of freight rates and other reasons to the West, will be the big beneficiary from this bill.

Now, we have to do one of two things. We have either to set this fund up so that those people there can go to work and produce and make their own living, or else we have to shut down the textile industry in that country, which is 65 percent of their industrial production.

Now, if it is shut down we have to add millions of dollars a year to the money that we appropriate to buy them the necessities of life.

As I stated, I don't remember the figures now, but a year ago the program in effect then was making a profit of $10,000,000 a month. That reduced by that amount the money that we had to appropriate.

Japan, before the war, had one of the biggest wool-textile industries in the world. The Commodity Credit Corporation now has on hand stocks of about, as I remember the figure, $160,000,000 worth of wool, for which there is no market in this country.

Now, Japan needs that product, and the bill provides for natural fibers. It is the plan to manufacture that wool and cotton in Japan and to sell the products abroad for dollars, or for whatever currency can be converted into dollars to pay the fund, thus removing that amount of wool from the stocks of the Commodity Credit Corporation.

There is no reason for the American Government to lose a dollar by this program. We have financed these exports heretofore under the Commodity Credit Corporation program and the Government has not lost anything. All payments have been made as they come due.

Today there is a much better marketing system set up than there was previously, although the previous system worked fine. The cotton manufacturers have selected one of the finest salesmen in the country to take charge of the sale of the textiles in export markets.

So there is absolutely no danger that the Government will lose anything.

Now, gentlemen, I do not know how you work in the House——

Mr. ANDERSON. We work harder, Senator.

Senator EASTLAND. I know. But I am making this point: In the Senate, before any bill gets to the floor, it has to clear the Republican Policy Committee, of which Senator Taft is chairman.

Now, this bill came up on the calendar and Senator Taft objected to it. He spent 2 days, to my knowledge, personally on this bill; and when he had gone thoroughly into it, when he had called the Export-Import Bank and saw it was impossible to get credit there, when he called the Commodity Credit Corporation and when he went into its provisions, he took this bill to the Republican Policy Committee and they O. K.'d it. He personally O. K.'s this bill and withdrew his objection, announcing that it was a good measure, and that he would support it.

So, it is not a partisan measure. It is not a cotton measure. My State has no interest in it. But it is a measure that will save the American taxpayers millions of dollars.

The testimony of the Army in the Senate, as I remember it, was that if they had had this revolving fund 2 years ago or 3 years ago we would have had to appropriate $100,000,000 or $300,000,000, I have forgotten, less moneys.

Now, gentlemen, the bill sets up a revolving fund of $150,000,000 that is borrowed from the Treasury. That provision was put there by the Republican organization in the Senate so as not to increase the budget.

Mr. ANDERSON. Was this bill approved unanimously in the Senate, Senator?

Senator EASTLAND. Now, there was a voice vote in which Senator Ball asked some questions about the bill. To my knowledge, there was no vote against it. It was a voice vote. He asked some questions as the record will show, and then sat down and we voted. But there was no speech made against the bill and no opposition in the world that we could find.

And we were careful to have it gone over by all groups there. It was approved by your party organization.

Now, under the fund, interest will be paid of 2½ percent.

It is a very vital measure for this country because it keeps products out of the stocks of the Commodity Credit Corporation and saves the Government investing millions of dollars to support prices.

Then it puts those people to work. We are not giving them something over there. We are just putting their industries to work so that they can make a living for themselves and get off the backs of the American taxpayers.

I think it is a very beneficial measure.

Now, gentlemen, I would be glad, if I can, to answer any questions that you desire to ask me about the bill.

Mr. ANDERSON. Thank you very much, Senator. We appreciate your statement.

Do you have any questions, Mr. Bates?

Mr. BATES. Senator, is there any provision in the bill, after these fibers are made available for exporting, relative to any liens on the finished product? What guaranty is there in the bill that the money

is actually going to be returned for the raw materials we send over there? I have not had a chance to read the bill yet.

Senator EASTLAND. Well, now, to be frank with you, Mr. Bates, I do not remember whether or not a lien is retained. Let me ask some of the Army officials.

There is no lien, but the bill provides that of the proceeds from the sale of the goods enough will be repaid, plus 2½ percent interest, to reimburse the fund. And there is a further provision that the goods must be sold for enough to repay the fund.

Now, you have this guaranty there: If this fund is exhausted, their capital is gone. They have nothing to operate on. Of course, to repay the fund, they keep themselves in business and they keep their industries running.

I don't think we have anything to worry about on the part of the Army, in repaying the fund and maintaining its capital structure. It is to be handled by the Army. The money is loaned to the Secretary of the Army.

Mr. ANDERSON. Anything further, Mr. Bates?

Mr. BATES. No.

Mr. ANDERSON. Mr. Winstead, we are pleased to have you with us this morning. Do you have any questions?

Mr. WINSTEAD. No questions.

Mr. ANDERSON. You do not want to take the chance of questioning a Senator from your State?

Mr. WINSTEAD. I appreciate the statement the Senator has made, but I do not know of any questions that I could ask him.

Mr. ANDERSON. All right.

Thank you very much, Senator.

Senator EASTLAND. Thank you.

Mr. ANDERSON. I have to confess that I am entirely ignorant of the provisions of the bill, but your statement and the statements of subsequent witnesses will, I am sure, clarify it for the members of the committee.

Senator EASTLAND. Thank you, Mr. Chairman.

Mr. ANDERSON. Thank you.

(S. 2376 is as follows:)

[S. 2376, 80th Cong., 2d sess.]

AN ACT To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That, notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and

grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.

Passed the Senate April 22, 1948.

Attest: CARL A. LOEFFLER, *Secretary.*

Mr. ANDERSON. We have with us this morning Mr. Draper, the Under Secretary of the Army.

I know you are a busy man and that you have another committee hearing to attend, so I am going to ask you to testify at this time.

Secretary DRAPER. Thank you, Mr. Chairman.

First, I would like to express through you, Mr. Chairman, the appreciation of the Department of the Army for the interest that Senator Eastland has taken in the problems of the occupation and

to explain the assistance which this bill, if enacted into law, would render to our efforts to rehabilitate those economies.

Mr. ANDERSON. Do you have a prepared statement?

Secretary DRAPER. Yes, sir; I have.

Mr. ANDERSON. Fine.

## STATEMENT BY WILLIAM H. DRAPER, JR., UNDER SECRETARY OF THE ARMY, DEPARTMENT OF THE ARMY

Secretary DRAPER. The Department of the Army, although not sponsoring the proposed bill, favors its enactment subject to minor amendments which are considered very desirable. Before going into detailed discussion of the many aspects of the bill I should like to give you a brief summary of conditions found in Japan—from which I returned about 3 or 4 weeks ago—which were similar in other occupied areas, as an explanation of why enactment of the proposed bill in a slightly modified form is favored by the Army. As mentioned, this summary will be primarily on Japan, inasmuch as it is chiefly concerned by S. 2376. At the time of surrender Japan was prostrate financially, economically, and industrially as a result of her war effort. The United States assumed, under responsibilities incurred through the Geneva Convention, the burden of keeping the Japanese people alive and has done so for the past 2½ years at great expense to the American taxpayer. During the same period maximum effort has been made to rehabilitate the nonwar-making industries to permit the Japanese to earn at least a part of their keep. The textile industry, which had been a principal prewar activity, represented a major potential in this field. But what did Japan have for a textile plant?

Cotton: In 1930–34—which was the period taken by the Far Eastern Commission as the level which should be recouped as soon as possible—the average spindle installation was 8,170,000 with an average production of 1,148,000,000 pounds of yarn; in 1937 it was 12,190,000 spindles with a prewar peak production of 1,590,600,000 pounds of yarn. On January 1, 1946, 4 months after occupation, the installed capacity was 2,000,000 spindles of which only 190,000, or 8½ percent, were operating.

I might say that the Japanese took their war so seriously that they actually melted down millions of good textile spindles, believe it or not, to make bullets, so that of the 12,000,000 spindles with which they started they ended up, as I have indicated, with a very few. In addition to this, 2,200,000, there were a couple of million which are not operable but are possible of recoupment and repair.

At the time of occupation a few million pounds of cotton and yarn were on hand in Japan, but scarcely enough to keep the 190,000 spindles moving. Japan needed cotton and needed it badly.

In that connection, you will be interested in the position which the textile industry occupies in achieving that self-sufficiency, particularly in Japan. Completed installation of 4,000,000 spindles is contemplated by June, 1949—assuming that certain problems can be overcome and repairs made.

During 1949 it is estimated that an average of 3,600,000 spindles will be operable with an average of 3,500,000 operating. During 1948, the estimated average number of spindles operable will be 3,157,700 with 2,434,800 actually operating.

Mr. Bates. Mr. Draper, let me interrupt you at that point, if I may, please.

Tell me whether or not these brand new machines—the difference between the 2,200,000 and the 3,600,000——

Secretary Draper. They are not brand new; no, sir. They are repaired spindles on the whole. There will perhaps be some few new ones; but there is no broad program of making a great many spindles. They probably have not the necessary materials to do that. A larger part at least will be repaired spindles.

The installation of 4,000,000 spindles is estimated to require between 1,186,000 and 1,500,000 bales of cotton annually depending upon the adequacy of power supplies and labor. Both the minimum and maximum consumption figures assume and are also dependent upon Japan's ability to finance.

At the time of the occupation of Japan cotton was available in the United States, but it required money to buy it; the Army was not in the cotton business nor did it have funds for cotton procurement. Japan was bankrupt. Inasmuch as the Commodity Credit Corporation had cotton, which it had accumulated under price-support programs going back to 1934, a credit arrangement was evolved whereby a supply of cotton was secured, to be paid for from proceeds of the sale of yarns and textiles produced therefrom. Under those credit arrangements cotton supplied totaled 1,254,193 bales to Japan and 220,000 bales to Germany. Those shipments cleaned out CCC stocks. Most of the CCC cotton has been processed into textiles and yarn or will be within the next 3 to 4 months. More cotton is needed and to maintain an adequate working stock is needed immediately.

Wool: The prewar Japanese wool textile industry was one of the largest in the world, second or third largest, I believe, and consumed annually between 600,000 and 800,000 bales. Of this consumption about one-third was for export in the form of textiles and yarn; the remaining two-thirds were consumed internally within Japan, both in the domestic economy and in military reserve against the then coming war needs.

The prewar capacity was based upon the operation of 1,628,454 worsted spindles, 732 woolen cards, and 28,812 looms. The present installed capacity of 390,000 spindles, 453 cards and 10,710 looms, which were operable in June 1947, is materially less than the eventual capacity contemplated. Increased capacity for the wool textile industry is, however, subject to solution of a great many problems now confronting all of industry in Japan.

Upon the occupation of Japan, in September 1945, there were on hand 176,000 bales of wool, mostly in military reserve stocks. During the 33 months of occupation, those stocks have been consumed until there remained only 5,000 bales on March 1. In addition to the reserve stocks which were found, it is understood that additional small quantities of wool have been imported and negotiations are under way for additional quantities from Australia, South Africa, and South America through trade arrangements involving the exchange of Japanese commodities.

Present supply status: The procurement of additional wool and cotton is a serious problem. The Commodity Credit Corporation stocks of cotton have been exhausted and prospects of securing grades and staples needed in time for processing are not good unless open market purchases are promptly made.

We really should get cotton moving this month, in order to replace the cotton which will be exhausted some time in July, as we learned when we were in Japan.

Attempts to secure private credit for financing raw material imports into Japan have been underway since August 1947, using gold and silver bullion of Japanese ownership, which were found at the time of occupation, as security. Finalization of that general credit is, however, still not complete though the prospects for it in the very near future are good. However, both that and this credit, in my judgment, would be needed and desirable.

The proposed bill would provide additional credit, not only for Japan but for other occupied areas as well, under which much needed imports could be financed on a self-liquidating basis. For that reason the Army favors enactment of the legislation as a further step in achieving self-sufficiency of the occupied areas. The bill will provide a much needed working capital for the occupied areas. Absence of such a working capital has been for over 2 years a major obstacle to the occupied areas achieving even the slightest self-supporting status.

Now, I will speak of sales for a moment. I must at this point call attention to a major problem in the use of the fund created by enactment of the proposed bill. Limiting procurement of the natural fibers to United States sources requires payment therefor in dollars. Obviously, if we are going to send dollar cotton or dollar wool the payment must come back eventually, no matter what process it goes through in other currencies or other commodities, in dollars. Therefore, sales of the finished textiles must be on a direct dollar basis, or for currency readily convertible into dollars, to the extent that dollars are required to repay the advances by Treasury. Admittedly a great need for Japanese textiles exists throughout the Far East and other prewar Japanese market areas.

There is a hunger for clothing and textiles throughout that entire area. Unfortunately, these are the same areas presently experiencing severe dollar scarcity and the consequent inability to buy for dollars. I cannot estimate the effect of this dollar scarcity upon our ability to use the funds created but I can foresee a potential limitation on its use unless dollar markets are available to Japan in excess of those available before the war. We shall make every effort to secure dollars by direct sales and by sales for currencies or commodities convertible to dollars but it must be recognized that such opportunities will become progressively fewer as consumer demands are supplied.

There are several favorable factors with respect to this problem, however. The European recovery bill itself will have indirect benefits. There are certain transactions under contemplation now which would not have appeared possible 3 or 4 months ago—one that I think of with one of the far eastern areas, in a large amount. And the assistance, through Dr. Jacobs and the manufacturers, in suggesting that Mr. Williams, who was formerly president of Cannon Mills, in charge of their sales, who went with me to Japan and is now developing a sales staff here for that purpose, should be of real help. If gradual tranquillity or something approaching tranquillity in the Far East develops, that, of course, would have a very beneficial effect all the way through.

Mr. Bates. Mr. Draper, let me interrupt again. In respect to the purchasing of all these commodities, say, in the United States, and

particularly when we refer to wool, I think the Senator said there is no market for the raw product of wool in this country. As I understand the situation——

Secretary DRAPER. I think the Senator perhaps would like to explain that.

Senator EASTLAND. Yes, sir. I said for the grades of wool that the Commodity Credit Corporation now has there is no market in the United States.

Mr. BATES. That is the cheapest grades, you mean?

Senator EASTLAND. Yes. It is a grade that is not used in this country.

Mr. BATES. I presume somebody is here from Commerce or Commodity Credit to answer any questions along that line?

Mr. ANDERSON. We have Mr. Dodd here, from the Department of Agriculture.

Mr. BATES. Fine.

I have in mind, of course, the great textile industry in New England. Their complaint seems to be that the supply of the raw material in this country is very limited compared to the total requirement, and that the import controls are creating a very bad situation and resulting in an exceptionally high price, to a point that we find now consumer resistance. I would like to have that part of it gone into by Mr. Dodd or somebody else who may be here to testify.

Mr. ANDERSON. Mr. Dodd will be our next witness, Mr. Bates.

Secretary DRAPER. Shall I proceed, sir?

Mr. ANDERSON. Yes, please.

Secretary DRAPER. As I pointed out earlier, there are two or three revisions that the Army would suggest.

The Department of the Army favors——

Mr. ANDERSON. May I interrupt you there, Mr. Secretary?

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. I have a letter here from the Department of State, which was received this morning, indicating that they support this measure, provided certain amendments are written into the bill.

Do you know whether or not the amendments which you are going to suggest are the same as those——

Secretary DRAPER. I believe they have been coordinated with them.

Mr. ANDERSON. Is there anyone here from the State Department?

Secretary DRAPER. They are the same.

Mr. ANDERSON. They are the same as those suggested by the State Department?

Secretary DRAPER. So I am advised.

The Department of the Army favors the enactment of S. 2376 subject to revisions which are believed essential to improved workability of the fund. These changes are:

(*a*) Beginning on page 2 with the third word in line 9 through line 15, delete:

> In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades.

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and substitute in lieu thereof:

*Provided, however,* That in administering this Act the Secretary of the Army shall, wherever possible, purchase natural fibers from the stocks now held or hereafter acquired by the Commodity Credit Corporation.

The reason for that suggested amendment, sir, is to permit more flexibility and permit purchases of the grades necessary to provide repayment, where those are available, but not available in the Commodity Credit Corporation.

Mr. ANDERSON. Well, Mr. Secretary, there is a slight discrepancy, then, between your suggested amendment and the one by the State Department. The State Department amendment refers only to wool. It says:

*Provided, however—*

this is the insertion—

that in administering this Act the Secretary of the Army shall, wherever possible, purchase wool from the stocks now held or hereafter acquired by the Commodity Credit Corporation.

As I understood you to read the amendment, it was "natural fibers."

Secretary DRAPER. Yes, sir; I had thought they were the same. Of course, I had not seen this letter.

Mr. ANDERSON. The letter just came, I might say, after the meeting started.

Secretary DRAPER. They followed, I believe, exactly the suggestion made in the subcommittee of the Committee on Agriculture and Forestry, which did use the word "wool." In view of the fact, however, that that paragraph had covered, "wool mohair, or flax fiber," we had broadened it by using the term "natural fibers."

Mr. ANDERSON. It is your considered opinion that the term "natural fibers" should be used, rather than the word "wool"?

Secretary DRAPER. I would think that would be preferable from the general point of view.

The second suggestion was: After the foregoing amendment and immediately preceding the last sentence of section I, line 15, page 2, insert the following which is based on a similar provision in the Foreign Assistance Act of 1948, Public Law 472, section 112 (f), Eightieth Congress:

Notwithstanding any other provision of Law, the Secretary of Agriculture, in carrying out the purposes of clause (1), Section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments to the Secretary of the Army, or his duly authorized representatives, in an amount not to exceed 50 per centum of the sales price—basis free alongside ship or free on board vessel, United States ports—and sums so paid will be applied by the Secretary of the Army, or his duly authorized representatives, to the indebtedness to the Treasury for funds advanced by the Secretary of the Treasury under the authority of this Act.

That follows the Foreign Assistance Act, and also follows the enactment by Congress in December, I think it was, in connection with food supplies for the occupied areas.

Mr. ANDERSON. Yes. That was the amendment which I believe Senator Knowland sponsored in the Senate and I sponsored in the House.

Secretary DRAPER. That is correct.

Mr. ANDERSON. And the portion which you just read comes from what is known as the Aiken amendment, if I am not mistaken, to the European recovery program bill; is that not correct

Secretary DRAPER. That is correct. And I believe it is completely in line with the thinking of the Congress.

And I might say, in passing, that the purpose of the Congress and those who introduced that measure in connection with food has been very fully carried out, and it is my considered judgment that if that amendment had not been made, and that provision made, we would have had a very serious situation in Germany in February and March of this year. It was possible under that legislation to make use of, I think, 138,000 tons of dried fruit which was just doing nobody any good, and a lot of other commodities of that type which happened to come at just the time we had to meet the crisis over there. It is in line with that thinking that this suggestion is made.

And it is also to provide in effect that these raw commodities—wool, I guess, principally—which Commodity Credit may have at prices higher than the present market—could be obtained under an arrangement whereby a part of the cost could be recouped. In that way you would not be paying a price well above the present world market, thereby making it more difficult, or perhaps even impossible to reimburse the revolving fund.

Mr. ANDERSON. Do you have further amendments to suggest

Secretary DRAPER. Two others, sir.

At the end of section 7, add the following amendment:

In order——

Mr. ANDERSON. Just a minute, please. Let us be sure we get to that.

Secretary DRAPER. All right.

Mr. ANDERSON. This is at the end of section 7?

Secretary DRAPER. Section 7; yes, sir.

In order that private channels of trade may be used to the maximum extent feasible, and to encourage coordination of the functions hereunder with the other trade and commerce of occupied areas, but subject to adequate safeguards to be established by the Secretary of the Army to assure that all expenditures of the fund are consistent with the purposes of this Act, any operation under this Act (a) may be conducted without regard to provisions of any other law or regulation relating to the making, performance, amendment or modification of contracts, the expenditure and deposit of Government funds, and the disposal of Government-owned property, (b) may include, without limitation (1) establishment and use of accounts on the books of any department, agency or establishment of the Government, or of military government in an occupied area, or in banking institutions however organized and wherever located, (2) establishment and use of letters of credit, letters of commitment, other commercial financing arrangements, and issuance or acceptance of bills, drafts, notes and other instruments incident to commercial financing arrangements, (3) sales or other dispositions of commodities and products on such terms and conditions and for such considerations, whether in dollars, other currencies, materials, commodities, services or otherwise, as may be deemed appropriate, and (4) other commercial and financing arrangements and transactions that may be found desirable for the accomplishment of the purposes of this Act; (c) may use and provide compensation for the services of such persons, firms, corporations, agencies and organizations as may be found desirable by the Secretary of the Army or his duly authorized representatives; and, (d) expenditures of funds shall be accounted for on standard documentation required for expenditures of Government funds, provided that if the Secretary of the Army shall by regulation provide for accounting by other documentation or certification in manner and form consistent with customary commercial and banking practices, then documentation or certification in conformity to such regulation shall be conclusive and binding on all accounting officers of the Government." That is necessary, sir, because this really is providing the funds for what broadly is a commercial operation and it is necessary in making contracts with private firms and governments for the sale of these products to follow usual commercial practices.

Mr. ANDERSON. Is there not some similar language in the ECA Act?

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. Now, that last suggested amendment goes much further than does this letter from the Department of State. Has that also been cleared with the Department?

Secretary DRAPER. We had had discussions—our people had—with the State Department and showed them this language. We had thought they had accepted that. We will be very glad to coordinate with them and try to bring you a joint position which I thought we had.

Mr. ANDERSON. The committee would very much appreciate that.

Secretary DRAPER. I agree with you that you should not have two executive departments, even in language, differing.

Mr. ANDERSON. That is exactly right. Since the unification of the services and the unification of this committee——

Secretary DRAPER. Of course, we are not unified with the State Department yet.

Mr. ANDERSON. I understand that; but I say since the unification of the armed services department and the unification of the committee, it has been the purpose of this subcommittee to try at all times to have the three services unify their desires in connection with legislation, before the committee reports out a bill.

Secretary DRAPER. I agree thoroughly.

Mr. ANDERSON. It is unusual for us to have the State Department also concerned in some of this legislation.

So I, as chairman, would like to ask that you coordinate these suggested amendments with any other interested department, so you can report back to this committee that all of the departments are in accord on any suggested language. Can you do that all right?

Secretary DRAPER. We will endeavor to do that; yes, sir.

Mr. ANDERSON. Fine.

Secretary DRAPER. Now, in closing, sir, I would like to call attention to one other matter.

On this trip to Japan that I recently made, I took with me a committee composed of Mr. Percy Johnston, formerly chariman of the Chemical Bank of New York; Mr. Loree, president of the Foreign Trade Council; Mr. Paul Hoffman, who has since become Administrator of the European Recovery Program; Mr. Scheuer, in the textile business, because of its importance, in the Japanese occupation; Mr. Williams, whom I spoke of before, who is organizing the selling effort there; Mr. Herbert Feis, who had been economic adviser to Mr. Stimson during the war, and one or two others. They made, with me, a general study of the economic problems in Japan and released a report, a brief news report, on their return, which might be of interest to this committee, and I would like to file it with the committee. It is short.

Mr. ANDERSON. We would like very much to have it.

Secretary DRAPER. I do not know that you want it read. It does give a brief summary of what they have found.

Their first recommendation, briefly, was the need for raw materials. They felt that that exceeded any other of the problems that faces the occupation authorities in Japan today.

Mr. ANDERSON. Without objection, that will be made a part of the record.

(The report is as follows:)

## Statement by Percy H. Johnston, Chairman, on Behalf of the Advisory Group Which Visited Japan and Korea at the Request of Secretary of the Army Kenneth C. Royall

Note.—The group consisted of Mr. Percy H. Johnston, formerly chairman of the Chemical Bank & Trust Co.; Mr. Paul G. Hoffman, president of Studebaker Corp.; Mr. Robert F. Loree, chairman, National Foreign Trade Council, formerly vice president of the Guaranty Trust Co., and Mr. Sidney H. Scheuer, senior partner Scheuer & Co. The group was assisted by Mr. Herbert Feis, special adviser to the Secretary of the Army; by Mr. Alexander Lipsman, Treasury Department; and on textile matters by Mr. Frederic A. Williams, former president of Cannon Mills, Inc.

Secretary of the Army Kenneth C. Royall invited us as a group of businessmen interested in occupation problems resulting from the defeat of Japan to visit Japan and Korea with Under Secretary of the Army William H. Draper. We have just returned from a 3 weeks' trip in which we have extensively reviewed the occupation problems in those areas. We were shown every cooperation and given full opportunity to ascertain the facts by the military authorities in both Japan and Korea.

In Japan, General MacArthur, Supreme Commander for the Allied Powers, is administering our occupation of the four main islands of Japan, which have a population of nearly 80,000,000.

We have been greatly impressed with the complete demilitarization of Japan and with the progress made in developing representative government in that formerly feudalistic country. A thoroughly democratic constitution has been adopted and an elected Diet, or Parliament, is actively functioning. Unlike the situation in Germany and Korea, Japan is not cut up in separate zones of occupation, and a Japanese Government is actively dealing with the daily problems of its people. The Japanese people themselves seem to be fully cooperating with the occupation authorities. These are outstanding achievements.

Although 2½ years have passed since the surrender no treaty of peace has yet been signed. The United States has been paying the military costs of occupation and in addition, under its international obligation to prevent disease and unrest, has been furnishing food and other relief supplies to keep the Japanese people alive. These relief costs run to nearly $400,000,000 a year. In our opinion the United States must now face squarely the problem of assisting the Japanese people to become self-supporting. Otherwise we will be called on to continue relief shipments indefinitely, so long as our occupation responsibilities continue.

Japan has been shorn of its empire and no longer has under its control resources of food and raw materials which formerly contributed to its prosperity. It has lost Manchuria, north China, Korea, and Formosa. It is growing only 80 percent of its minimum food requirements. Its population is increasing a million a year. It must produce and export industrial products in large volume to live. It is short of food and natural resources.

Our group believes that the United States, in its own interest, should now assist the industrial recovery of Japan. Japan's industrial products are needed throughout the Far East, which also needs Japan as a market for its potential surpluses—its tin, copra, wool, cotton, iron ore, bauxite, and rice. We found that Japanese industry is operating at a very low level—only 40 percent of 15 years ago—because it is unbelievably short of needed raw materials. However, despite the upheaval of war and defeat and the changing social outlook, the traditional will to work of the Japanese people themselves is still in evidence. Food production and coal production have been steadily rising; although both are still far below minimum needs. Food collections are better than at any time since the occupation—in fact rice collections reached 100 percent of this year's quota while we were in Japan.

The reparation issue has not been settled. The Japanese do not yet know which plants and which equipment will be left to them, so there is little incentive to restore and reconstruct. Plants which are needed and which can be used in bringing about the economic recovery of Japan should be retained and only excess capacity removed. Otherwise the United States, which is now making up the present Japanese deficit, would in effect be paying the reparation bill. In our opinion, the amount of this excess capacity realistically available for reparations is not great. It is most important that the present uncertainty be removed and the reparation issue be finally settled.

Japanese exports have been growing and reached nearly $200,000,000 last year. But these exports must increase six or seven times to provide payment for the food and raw materials needed to sustain a tolerable standard of life in Japan and to provide the import basis for this volume of exports. In our opinion it should be possible to accomplish this if tranquillity is gradually restored throughout the

Far East, if present restrictions on Japanese trade and travel are gradually removed, and if help is given to import raw materials and get production going.

A gradual shift in Japanese food and other imports from the dollar area to the sterling and far eastern areas, with compensation in Japanese industrial exports, will tend to relieve the present dollar shortages in those areas which now limit Japanese export sales, particularly in textiles made from Ameriean eotton.

The Japanese merchant marine has been reduced by war losses to 20 pereent of its prewar size. This represents a large factor in Japan's foreign trade deficit. The group believes that Japan should be encouraged to increase its merehant shipping both by new building and by ehartering available bottoms.

The Japanese Government has been struggling with many internal problems resulting from the devastation and destruetion of war and defeat. Prineipal among these is the inflationary spiral resulting from the extreme scarcity of raw materials and eonsumers' goods, the constantly rising prices and wages, and the heavy budgetary deficit. The internal eost of the oecupation adds to this problem. Until this inflation problem ean be solved with greater production, inereased tax revenues, and more rigid control of governmental expenditures the establishment of a stable foreign exchange rate, and even of a stable internal economy ean hardly be achieved. Here again, the importation of greater amounts of raw materials and the resulting inereased production will assist in a solution.

Drastic and continuing efforts by the Japanese themselves are necessary to balance the national budget. Self-help and self-sacrifice in clarifying and controlling internal price and wage relationships, in reducing national expenditures and increasing tax revenues, in constantly expanding the indigenous production of food, coal, and other available Japanese resources, are essential to proper use of possible American assistance and of course to economic recovery itself. The Japanese people will have to work hard and long, with comparatively little recompense for many years to come in order to survive and support their growing population.

In conclusion our group agrees with General MacArthur and with the Department of the Army, that the industrial recovery of Japan on a peaceful basis is necessary to bring about a self-supporting economy; that this program has now properly become a primary objective of the occupation; and that the American Government in the national interest should support a reasonable recovery program.

In Korea the problem is complicated by the artificial division of the country into two military zones of occupation. The Koreans are eager for independence, to which our Government is committed. It has been impossible so far to hold elections throughout all Korea, but an election is soon to be held in south Korea throughout the American zone, under the auspices of the United Nations. After the election and the setting up of a representative government it is proposed under the United Nations resolution to work out arrangements for the withdrawal of occupation troops.

Korean food production is improving and within a reasonable period south Korea should be able to supply its own food requirements if fertilizer requirements can be met. Other problems, however, are most acute. Lack of raw materials is greater even than in Japan. South Korea is dependent for much of its power supply from north Korea. The Korean railroads would stop if coal supplied by our occupation authorities in Japan were cut off. The industries which Japan developed during 40 years of Japanese control are operating at only about 20 percent of capacity. South Korea is short of raw materials, and equally short of management and technical supervision formerly supplied by the Japanese. As in Japan, the United States has been supplying food, fertilizer, and petroleum products to keep the economy from collapse.

Here again our group believes, with General Hodge, our military commander, that reasonable assistance should be given to provide raw materials and give the Korean economy a better opportunity to function on its own feet. An interim-aid program not limited solely to relief, should give to a new Korean Government, when it is formed, the needed help to establish the stable economic conditions so necessary to the continuance of free democratic government.

Finally, our group has examined the proposed recovery program prepared by the Department of the Army and supported by the State Department. The program would provide a total of $220,000,000 for a 12 months' period for raw materials and other recovery items for Japan, Korea, and the Ryukyu Islands. We believe such a recovery program essential in order that we can reduce and eventually eliminate spending in these areas for relief.

As an occupying power we have accepted a flag responsibility. We believe the United States can discharge this responsibility better, and end it earlier by

concentrating on economic recovery and by gradually reducing relief. Our group therefore recommends approval and implementation by our Government of the suggested recovery program at the earliest possible date.

Secretary DRAPER. I would like to quote from another report that they are in process of making to us but which has not been officially approved by us and has not been released, but it does go directly to this point that is on the committee's agenda. This is from this same group:

We endorse the cotton credit now pending in the Congress. It should include only sufficient limitations requiring direct or indirect dollar sales of goods to assure repayment of the credit—

which is along the lines that the Senator and myself have been testifying.

Then they go into speaking of sterling and how various commodities can be used as intermediate forms of payment to assure real repayment eventually.

I thought that would be of interest, because that is a completely nongovernmental group who were disinterested and simply went over there in the interest of their Government.

Mr. ANDERSON. Yes.

Referring again to this letter from the Department of State, they make a further suggestion with reference to an amendment. And I should like to refer you to page 4 of the bill, if you have a copy there in front of you.

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. The Department suggests that there be inserted in line 3, section 5, of the bill—that would actually be line 10, page 4——

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. The Department suggests that there be inserted at that point, after the words "such area" the words "or in the event of the termination of the occupation of such area by the United States."

Secretary DRAPER. I should think that would be desirable.

Mr. ANDERSON. I think that following the hearing this morning we will give you time to confer with the State Department and the Department of Agriculture to be sure that all of these suggested amendments are brought into line.

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. So the committee will know exactly what it is doing when it takes action on the bill.

Secretary DRAPER. I apologize, Mr. Chairman, for not having that. I thought we had done that. But we will do that immediately.

Mr. ANDERSON. All right.

Secretary DRAPER. Are there any questions?

Mr. ANDERSON. Yes, Mr. Secretary. Again referring to the letter from the State Department, I would like to quote this paragraph and then ask you to comment on it, if you would.

Secretary DRAPER. Yes, sir.

Mr. Anderson (reading):

The Department supports the bill with the understanding that natural fibers which may be purchased from the fund for the occupied areas will be additional to and not a substitute for imports provided for those areas under the economic rehabilitation program for Japan and Korea sponsored by the Department of the Army, and under the European recovery program as it applies to western Germany and Austria. The present ERP estimates provide for substantial imports of

natural fibers into western Germany and Austria, and it is the Department's understanding that the economic rehabilitation programs also provide for certain supplies of such fibers to produce goods for domestic consumption in Japan and Korea or for export from those areas.

Secretary DRAPER. I would like to confirm my judgment that that is the understanding, and that is very essential.

Mr. ANDERSON. Well, I did want to have your comment on that.

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. Without objection, this letter from the Department of State will also be made a part of the record at this point.

(The letter is as follows:)

MAY 10, 1948.

MY DEAR MR. ANDREWS: Reference is made to S. 2376, a bill to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, which passed the Senate on April 22, 1948, and was referred to the House Committee on Armed Services.

The Department of State wishes to present the following views for the consideration of your committee.

The Department supports the bill with the understanding that natural fibers which may be purchased from the fund for the occupied areas will be additional to and not a substitute for imports provided for those areas under the economic rehabilitation programs for Japan and Korea sponsored by the Department of the Army, and under the European recovery program as it applies to western Germany and Austria. The present ERP estimates provide for substantial imports of natural fibers into western Germany and Austria and it is the Department's understanding that the economic rehabilitation program also provides for certain supplies of such fibers to produce goods for domestic consumption in Japan and Korea or for export from those areas.

The Department suggests that there be inserted in line 3, section 5, of the bill, after "such area," the words "or in the event of the termination of the occupation of such area by the United States." This insertion is considered desirable in order that the Secretary of the Army be empowered to treat any materials purchased for Korea from the fund, and unprocessed and unsold at the termination of United States occupation of that country, in the same manner as is provided for other areas in the event of the coming into effect of a peace treaty affecting those areas.

The Department also suggests that on page 2, beginning with line 9, there be stricken out everything down to and including line 15, and there be inserted in lieu thereof the following: "such processing: *Provided, however,* That in administering this Act the Secretary of the Army shall, wherever possible, purchase wool from the stocks now held or hereafter acquired by the Commodity Credit Corporation. For * * *"

This amendment was recommended by the subcommittee of the Senate Committee on Agriculture and Forestry, appointed for the consideration of the subject bill. The purpose of the amendment is to avoid the split of authority between the Department of Agriculture and the Department of the Army, which would occur if the amendment were not made, and which is considered undesirable.

Finally, the Department believes that this bill would be of greater benefit to the United States as a whole, and to the occupied areas, if the funds provided could be used for the procurement of any needed raw material from the United States, or, in case such material were not available in this country, from other sources.

Because of the urgency of the matter, this letter has not been cleared by the Bureau of the Budget, to which copies are being sent.

Sincerely yours,

CHARLES E. BOHLEN, *Counselor*
(For the Secretary of State).

Secretary DRAPER. Now, in that connection I might add that this committee felt very strongly, and so recommend——

Mr. ANDERSON. Pardon.

Secretary DRAPER. This committee that I spoke of felt very strongly that an economic recovery program—not of the scope or size of the European recovery program at all—a modest one, would be absolutely

essential to supply some of the things that they need for consumption in Japan and Korea, and also to form the base for getting their export industry really under way. There is great industrial capacity available in Japan. There is a great amount of labor available there. They have the know-how. If they get the raw materials and get to work, and if the markets can be found, we can begin to make real progress there.

Mr. ANDERSON. Do you feel, Mr. Secretary, that the passage of this legislation will in any way reduce the occupation costs in Japan?

Secretary DRAPER. Yes, sir; I certainly do.

Mr. ANDERSON. What do you think is the highest rate of interest that will be needed to fully reimburse the Treasury? I think the Senator mentioned 2½ percent.

Senator EASTLAND. That is the way the bill provides, as I recall.

Mr. ANDERSON. Do you feel that that rate of interest will fully reimburse the Treasury?

Secretary DRAPER. I suppose the Treasury ought to answer that question themselves, but it is my understanding that their money is not costing them more than that.

Mr. ANDERSON. The bill says, on page 1, "at such rates of interest as are necessary to provide full reimbursement to the Treasury," and I just wondered if the 2½ percent mentioned by Senator Eastland——

Senator EASTLAND. That was changed, then, Mr. Chairman. The bill at the hearing specified 2½ percent. I did not know that change was in the bill. The full committee changed it, then, after it left the subcommittee. I did not know that.

Mr. ANDERSON. I see. It does not mention any figure. It simply says "such rates of interest as are necessary to provide full reimbursement to the Treasury." I was just trying to get some idea of what that rate of interest would have to be.

Secretary DRAPER. I am informed the way this bill finally passed the Senate it did have the language that you just read, rather than the 2½ percent.

Mr. ANDERSON. This is the bill that passed the Senate on April 22?

Secretary DRAPER. Yes, sir.

If the Treasury puts the advances to the Department of the Army on the basis of 15 months' money, which I assume they would, although I have not had that confirmed, the rate would undoubtedly be lower than 2½ percent.

Mr. ANDERSON. Does this in any way have the effect of putting the Army occupation forces into the manufacturing of textiles?

Secretary DRAPER. No, sir; no more than we are today. We have in Tokyo a textile section, but their job is not to manufacture but to supervise the Japanese Government in their operations through the mills in that country.

Mr. ANDERSON. In other words, they act more in a supervisory capacity?

Secretary DRAPER. Yes, sir; supervising it. And, of course, they are the final authority.

Mr. ANDERSON. Tell me this, Mr. Secretary: Will it be possible for the Army, if they find it is more economic and efficient, to purchase raw cotton, say, in India for manufacture by the Japanese, or Korean textile industries?

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Secretary DRAPER. Not under this bill, because there is a distinct provision here, I believe, that these purchases shall be made in this country. It is going to be necessary, and has been necessary in the past, and is desirable to have cotton and other textiles from other areas, because of the difference in quality and the necessity to plan for certain purposes. I have discussed this problem with Senator Eastland several times. In the program in the past there was 40 percent or some percent that did come from the other areas.

Senator EASTLAND. In fact, there is about 40 percent of their consumption that came from India. We had no objection to that. But we wanted the Indians to finance it.

Mr. BATES. Will the gentleman yield?

Mr. ANDERSON. Mr. Bates.

Mr. BATES. Suppose there is a short supply in raw materials, Mr. Secretary, what are you going to do under those circumstances? Are you going to continue to purchase here and then put a limitation on imports of the same materials?

Secretary DRAPER. In that case we would, of course, have to get an export license for this and if the domestic situation here was such that we should not get this, why, they would not get the export license.

Mr. ANDERSON. Well, is there not in fact today a short supply in wool?

Secretary DRAPER. I am not an expert on wool at all. I believe that there is not a great surplus, certainly. I just do not know. I might as well be frank.

Mr. BATES. The point I have in mind is: The supply of wool raw material is so small compared to the over-all use of our woolen and textile industry here that we must rely upon foreign wools to implement our supply.

Secretary DRAPER. There is not any question about that.

Mr. BATES. And if we are going to take our own supply and skyrocket the price by buying in all our domestic wools and then keeping a limitation on our imports, we are going to let ourselves in for a lot of grief here.

Secretary DRAPER. There is no thought of doing that at all.

Mr. BATES. In fact, there is a lot of that going on right now.

Senator EASTLAND. May I answer that?

Mr. ANDERSON. Senator Eastland.

Senator EASTLAND. The point Mr. Bates made is exactly correct. We produce in the United States, as I understand the figures, about a third of what we consume. Now, the provision in the bill that the Secretary of Agriculture must approve the grades and the kinds of wool that is exported was put there to protect the domestic wool manufacturers here in the textile industry. After that safeguard was placed there, then each industry involved—the textile folks of cotton and wool—approved this bill, with that safeguard. It is not intended to export from this country any wool that is used in this country.

We import about——

Mr. BATES. Of course, the bill does not say that, Senator.

Senator EASTLAND. You see, the provision there that the Secretary of Agriculture must, before they can export, certify the kinds and grades that they buy. That was the object in placing that there.

We would not get anywhere to import two-thirds of our wool from Australia and at the same time export some of the same products.

Mr. BATES. That seems to be the common-sense viewpoint.

Senator EASTLAND. There is no point in the world of doing that, or to deprive the domestic wool manufacturer of his source of supply here. But it is to get rid of a low-grade wool that he does not want and is not going to use, and that the Government is stuck with to the tune of $160,000,000.

Mr. BATES. And there is no market for that so-called waste wool here at all.

Senator EASTLAND. No market at all. The wool representatives are in this room right now——

Mr. BATES. Are the wool manufacturers in this room right now, too? There has been quite a cleavage between the two of them down through many months, and I would like to hear from both sides of it.

Senator EASTLAND. Yes, sir. There is no attempt in this bill to export any wool produced in this country that can be consumed here.

Secretary Draper. I would like to say in that connection that my experience is much greater in Germany than in Japan, but the program there provided largely for wool from sterling sources—and that is true, I am advised, in Japan, also—for the obvious reason, from the point of view of the occupation in those countries, that anything than can be purchased on the sterling basis does not require repayment in dollars. So the tendency of the two occupations would be very largely to procure such wool as they could on a sterling basis, which is in the direction of which you are thinking.

Mr. BATES. Yes.

Mr. ANDERSON. Is that all, Mr. Bates?

Mr. BATES. That is all.

Mr. ANDERSON. Mr. Bishop?

Mr. BISHOP. No. Thank you.

Mr. ANDERSON. Mr. Winstead, do you have any questions?

Mr. WINSTEAD. No.

Mr. ANDERSON. Mr. Secretary, we thank you very much.

Secretary DRAPER. I am just advised sir, that the Treasury has given out a rate, as the average rate of their moneys some time ago—and I do not know whether it is up to date—of 2.18 percent.

Mr. ANDERSON. 2.18 percent?

Secretary DRAPER. Yes, sir.

Mr. ANDERSON. Which they consider sufficient?

Secretary DRAPER. They have not given this officially for this purpose, but I believe they made some public announcement.

Mr. ANDERSON. Mr. Secretary, in view of the fact that you advised me earlier that you have another committee before which you have to appear today, it is my intention to continue the hearings, and I have been advised we can meet on Thursday of this week at 10 o'clock. In the interim, I will ask that you get together with the Department of Agriculture and with the State Department and coordinate the suggested amendments, and have them ready to report to the committee again on Thursday morning.

Secretary DRAPER. I will be delighted to do so.

Mr. ANDERSON. We thank you very much for your testimony. It has been very enlightening.

Secretary DRAPER. Thank you very much for the committee's courtesy.

Mr. ANDERSON. I understand that we have with us this morning Mr. N. E. Dodd, Under Secretary of Agriculture.

Mr. Dodd, will you come up here a moment, please?

Off the record.

(Discussion off the record.)

Mr. ANDERSON. Without objection, Mr. Bryson will file a statement at this point in the record.

(The statement is as follows:)

AMERICAN COTTON AND THE ACHIEVEMENT OF THE PEACE

(By Joseph R. Bryson, a Representative in Congress from the State of South Carolina)

Mr. Chairman, I am glad to have the privilege of appearing before your committee today in behalf of S. 2376 which provides a revolving fund for a revival of textiles in Japan.

I respectfully call attention to this important measure, now passed the Senate, and urge its speedy adoption by the House.

The meaning of cotton is known well by my constituents and their neighbors in the South, but far too many people, including many of our national leaders responsible for the well-being of our Nation, the true meaning of cotton is unknown. In the least, for them it is another of those God-given essentials accepted without thought and with indifference.

Unlike those of us who have grown up among cotton, who have worked with it, and whose whole way of life is based upon it, those who see it in the indifferent light cannot comprehend its importance.

True, they wear it, sleep in it, and on it—and even eat many products derived from it. The tires which enable their automobiles to ride smoothly contain cotton fiber, and the stuffed chairs they sit in in comfort are made comfortable by cotton. Great public buildings and great public benefits are paid for fully or in part by taxes growing out of income from growing and sale of cotton, and from the production and sale of textiles.

Cotton is one of the great bases of our national economy. It means comfort and warmth. It means livelihood for millions. All this, and so many never give it a thought.

Take cotton away, and they will think about it. They will think about it, and cry over their great loss. But we cannot take cotton away simply to wake up a nation to its importance. To be without it would be tragedy. However, we can point out its importance, and point a strong finger to those circumstances and individual acts which tend to take cotton away.

Any individual or any action which will hurt the American cotton industry and those millions whose very way of life is dependent upon it is, in a strong sense, taking cotton away.

Today, as we are attempting to unscramble the mess we call our world—a mess made by the Teutonic and Oriental aggressors—on the horizon of time appears a menace to American cotton—revival of the Japanese textile industry.

It is a truth that we must restore Japan economically in order to obviate the costly burden we now carry in supporting that nation. It is also true that such restoration of that nation is essential to the peace of the world. However, it is not a truth that we must do all that to the detriment of our own Nation and of our own people.

I cannot at the moment think of a better nor a more effective method of stating the problem than by restating the comments made in the other body when S.2376 was being debated.

"At the outset, the Japanese volume may be relatively insignificant, but when we let down the bars and establish a precedent, there is no telling how fast it will grow. Furthermore, Mr. President, if the Japanese demonstrate that they can find American dollars here at the expense of the American market, it will encourage every other impoverished nation in the world to do likewise, and we shall soon reduce our domestic market to a veritable hodgepodge of foreign merchandising throat cutting which will demoralize the nearest, biggest, and best market the American farmer has for his cotton, and the result will be a steady elimination of thousands of jobs of our American textile workers."

Quite often, when the protection of the well-being of our cotton and textile production and markets is being discussed, and ways of devising such protection are

put forth, one hears comments about the "cotton bloc," the "Southern bloc," or the "special interests," and many other such erroneous labels applied to the champions of cotton.

It isn't a question of the "cotton bloc" wanting, or a case of the "special interests" wanting. It isn't a regional problem, either. It is a national problem in which every man, woman, and child in the United States, whether from South Carolina or Oregon; from Georgia or Maine, has a definite interest. Ruin the prosperity of cotton and you ruin the prosperity of our Nation. Throw thousands of cotton and textile workers out of employment and you throw millions of other Americans out of work and precipitate another depression.

All I am doing here today is calling for foresight and early planning to protect our national economy. It is not hard to realize that if we permit the Japanese textile industry to invade our markets and undersell us in competition that many more than the farmers growing cotton, and the workers producing textiles will suffer. The garment worker in New York will lose his job. Those people engaged in selling and transporting textiles will have to close shop; and the millions of people who sell services and luxuries—the laundryman, bakers, cab drivers, theater people by the hundreds of thousands, will lose out simply because the unemployed cannot afford a fine standard of living which permits luxuries and services.

No, I repeat, it is not a regional problem. It is not simply the problem of the cotton and textile workers and producers. Is is every American's problem.

I have been told I am speaking too early in the game, and I decry that thought. Our worst national characteristic is indifference—refusing to recognize the handwriting on the wall—always doing too little too late. Now, and I mean right now, is the time we should take care of this grave matter. Not 5, 10, or 20 years from now when it ceases to be a national problem and develops into an international catastrophe.

Recently, I took part in a discussion on the matter of restoration of Japan's industries, and listened to an individual brimming over with good will for our enemy. The war was over, he stated, and what was done was done. It wasn't their fault, really. Circumstances, you know. And, now, what we should do was make things as easy as possible for them to restore their economy, become prosperous, and maybe they would forget the scars our bombs left.

The gentleman who had come to love the Japanese so well took ardent exception to the idea of protecting American markets from invasion by a restored, former enemy. He claimed that such thinking was placing selfishness against humanitarianism, and consequently was laying the foundation for future conflict.

I disagree completely with such philosophy. It is weak at the seams; the argument will not hold water.

The concept of laying protective ground work now in controlling the reestablishment of the Japanese textile trade is not selfishness versus humanitarianism. It is the application of practical humanitarianism. What is proposed is to restore the Japanese textile industry to alleviate us of the burden of paying the way of our former enemy, but doing it in a manner that will not provide detriment to our own national economy.

Japan should be provided with access to the natural Japanese markets—China, Siam, India, Indochina, Formosa, and others, but should not be permitted to compete with and undersell the American producers in American markets.

I know that to the uninformed this might sound monopolistic, greedy, dictatorial, and unfair. However, it is Japan who has the unfair advantage in the long run, and could successfully beat the American producers in competition, hands down.

The American textile worker's base wage is a dollar or better an hour. The Japanese worker will accept a small fraction of that amount. Consequently, in cost of labor alone, the Jap is provided the means of underselling the American.

Coming from the largest textile district in the world and representing cotton-growing and textile producing constituents, I know they will not accept a reduction in their graceful way of life simply because of fallacious theories concerning this vital matter. They are practical people. I know. I worked in the cotton mills of my district for many years, and I know the textile worker and his family to be as strong as the strongest fibers they produce. They are good Americans. They work hard all their lives, and are proud of the essentials and luxuries they produce. They are proud of their contribution to the good way of life and our high standard of living. They want that standard even higher, better, and more comfortable. They will not be undersold, and they will not condone in their leaders lack of foresight and protective planning. As I said before, they are practical people.

As their representative and as one of them, by inclination, interest, and duty, and in behalf of each and everyone of them—whether cotton-growing farmer, spinner or weaver, investor or owner—I am forced to state that I do not believe our officials who are charged with the responsibility of restoring Japan are aware of the gravity of the textile situation. I agree with the statement made in the other body that "probably the principal reasons for the failure of our governmental agencies to exhaust the normal market resources in the Orient are the inability of any Army to convert itself into a skilled expert merchandising organization; the tendency of a Government department, inexperienced in selling, to seek the easy, simple method of allocating goods to countries rather than selling them to private interests which operate professionally in the field, and possibly the attitude of our allies who have interests in the oriental markets, and who may be reluctant to cooperate with us in the rehabilitation of Japanese industry, which we as lovers of democracy know is absolutely necessary for peace and security of the world."

No; I do not believe those people have either the experience or the capacity to permit the good, protective job to be done. It is heartening to observe the activity of two of my constituents, Dr. William P. Jacobs, president of the American Cotton Manufacturers Association, and Mr. Fred Symmes of my home city Greenville, S. C., who along with Mr. Donald Comer, of Alabama, in their mission to Japan, studied the Japanese textile industry and the problems involved in its restoration. With a lifetime of experience behind them, these three gentlemen are well equipped to deal with any phase of the textile problem.

It is even more heartening to read the report resulting from that mission, the recommendations of which if accepted and followed will go a long way toward restoring Japan and at the same time protecting the welfare of our Nation.

Doctor Jacob's committee recommended a revolving fund from the United States Congress for working capital to purchase American cotton for export to Japan in order to provide them with the raw materials they need for their textile production.

That recommendation is contained in the bill, S. 2376, now before Congress, providing a revolving fund of $150,000,000, and its early passage will enable the Japanese to sell their textiles in oriental and colonial markets which have dried up because of the dollar shortages.

The members of the mission also recommended that General MacArthur add skilled textile salesmen to merchandise Japanese textiles under his direction and in cooperation of the Japanese Board of Trade, the Japanese Spinners Association, and the leaders of the Japanese textile industry. Merchandising cotton goods requires resourcefulness, ingenuity, freedom of action, and quick decisions, and these textile specialists should be given all the latitude possible in their operations. The American cotton textile industry will help out in this, nominating staff members for this merchandising effort.

American methods are what those people need to become self-sustaining, and our American textile people can show them how, and will be happy to do it. That's practical humanitarianism, not conversation.

I will go the mission one further with a recommendation of my own in this matter. I recommend that this Nation provide a "textile watchdog" to cover the planning and operations which go into the restoration of the Japanese textile industry and marketing.

We, who represent the people most directly concerned with cotton and textiles, must act as watchdogs, nationally. However, our job is so big, we cannot devote the concentration in the foreign field which is mandatory. It is a vast job simply in remaining informed on what is going on over there. We need men in the field not only to assist us in keeping abreast with what is happening, but we need them over there to prevent things from being initiated which must later be knocked down because of the fallacy in the thinking which inspired the initiation. Big oaks from little acorns grow. Likewise bad situations can result from crackpot ideas. We want to avoid such situations by guaranteeing as much as possible that foolish ideas concerning the Japanese textile trade do not grow into situations which will harm us in the years ahead.

Actually, there is no need for conflict to grow out of the current problem of restoration of Japanese textile production. Conflict will be the result of foolish action, now, whereas if thoughtful planning and action are undertaken in these days of restoration, both the Japanese and American industries will flourish along with those who provide them their materials.

Historically, the Japanese industry has largely confined its sales to the Orient in the past and to a few more distant markets where low-priced and relatively

inferior goods were desired. That historical trade should be resumed and encouraged and both Japan and the United States will profit by it.

The Jap industry will grow alive again and consequently will again be a paying customer for the American cotton grower. However, if short cuts are attempted, if there is an attempt to thrust low-priced, low-grade textiles into the American market, we will all suffer, and a harmful precedent will have been set. That must not happen, and it is the duty of the representatives of the people of the United States to see that it does not happen.

One recommendation of the mission that sales be delayed as far as possible until the European recovery program is under way. With the establishment of the Economic Cooperation Administration, that program is under way, and I feel certain it will offer goodly relief for the Japanese industry and economy.

As reported by the mission, since the European recovery program will increase the number of dollars available in certain European countries for rehabilitation, it is conceivable that some of these countries will directly or indirectly make some of the funds available for clothing of their colonies, and the funds will benefit the Japanese trade.

Another of the recommendations of the mission offers great possibilities not only for its intended purpose—assisting the recovery of the Japanese textile trade—but in several other ways very important to us in the United States.

Presently, our two most important international objectives are developing a lasting peace and remaining strong in the face of any would-be aggressor.

The mission's recommendation, if implemented, will help greatly in the achievement of these two objectives. The mission stated: "In the past, Japanese salesmen have bought dollar cotton and sold their products into sterling areas successfully by bartering the three-cornered trading. They are asking for the opportunity of returning to the same type of operations today. It would result in profit to themselves and at the same time perform a definite service to American cotton farmers as well as produeers of other types of raw materials in the Orient. We recommend, therefore, that the Japanese industry be rehabilitated by buying American cotton for dollars and obtaining the dollars by buying from the Orient and the colonies' raw products which are in short supply in the United States and selling them to the United States for dollars, such raw materials to include jute, tin, rubber, copra, tung oil, wood oil, reptile skins, and other items which are needed in the United States."

Remember that recommendation and apply it to the following information I will offer.

A great component of our national defense program in order to remain as strong as possible to thwart the intent of any aggressor in the future until world peace is achieved is our national stock pile of strategic and critical materials.

These are materials which are absolutely essential in conducting a war successfully. We do not have them in sufficient supply in our own country, and it is mandatory we import them within our borders in peacetime so we shall have them if ever again we are forced to combat an aggressor against world peace.

If we don't have them within our borders in peacetime, it will mean we will have to transport them over dangerous waters during wartime from sources anywhere from three to ten thousand miles—miles fought with the submarine and air menaces, and at a terrific cost in life, money, and time. In war, we always have too little time. Saving the time required in transporting these materials into the country, now, is good, common sense.

Furthermore, during war, bringing those materials in means building additional ships, which, of course, means diverting precious labor, steel, and other premium materials from other essential war projects.

The tin, rubber and tung oil mentioned in the mission's recommendation are on the list of materials most vitally required in our national stock pile, and nearly every other material required in the stock pile has great sources within the Japanese sphere of trade. If the Japs barter their products for these materials and sell them in the United States for dollars for purchasing more cotton, they will help our national defense as well as become good customers for the American cotton grower. Such an operation makes sense.

The law which provides for our national stock pile prohibits using the stock pile as a subsidy method so it cannot be integrated into the suggested operation. However, one of the elements which is impeding the growth of our stock pile is the simple fact that the materials it requires are also essential in our peacetime, civilian produetion and economy. Most of the materials have been in short supply, and the stock-piling agency, the Munitions Board, does not compete with the civilian economy for goods which are in short civilian supply.

Because of this lack of availability of strategic and critical materials, our national stock pile isn't as big as it should be, and is way out of balance. Making these vital materials available in excess of the quantities needed by our industries will help build our stock pile of strategic and critical materials immeasurably.

The idea of permitting the Japanese to barter their finished textile products in their own trade areas in return for critical raw materials which can be sold for dollars which, in turn, can be used in the purchase of the materials vital to her textile industry has vast possibilities, and everything should be done to make it possible, quickly.

The mission to Japan made up of good representatives of the American cotton and textile enterprises has made some excellent recommendations. These recommendations indicate strongly that the Japanese textile industry can be restored without detriment to our own economy, and they should be followed completely. If this type of thinking and planning is followed, we will avoid precipitation of unhappy events in the future.

As I said earlier, the people of my district—the people of the textile world—have a way of life they've worked hard and long to achieve. They will not accept detriment to that way of life without question. It is our sacred trust to maintain it and to better it.

The harmony they possess is illustrated in the way our textile industry is managed. It is a well run, smoothly efficient element of the national economy. Its labor problems are at a minimum. Its personnel have a good minimum wage, and its methods of production are the most modern and efficient in the world, barring none. Moreover, its products are the best in the world.

These are the elements we are proud of. These are also the elements of honest competition. Americans are not afraid to compete fairly. But they do not want to be undersold or to be forced into cutthroat competition.

To avoid such unhappy competition and threat to a happy mode of life, we must plan for the protective restoration of world trade, and avoid all the foolish theories the inexperienced attempt to sell us. We must be as alert as the good watchdog, and when necessary, bite the would-be invader—whether he be an invader armed with subversive probaganda, armed with a gun, or armed with low-grade and low-priced goods. Such invaders are equally dangerous and, oddly enough, too frequently run together or are synonymous.

I have shown the problem. I have mentioned some of the sensible solutions possible. And I have sounded the warning. All I ask of you here today is to heed that warning and do all you can to avert damage and provide well-being.

I must call on my colleagues in the House and Senate of the United States Congress and the members of the administration to handle this problem with extreme care and sensibility. It is too important for casual treatment.

Our age is called the atomic age, the age of chain reaction. The problem of restoration of the Japanese industry is the first link in a chain of reaction. If good solutions are developed initially, the reaction will be for the good and well-being of everyone. It can go on bringing happiness, comfort, and prosperity to millions of people the world over.

If a bad solution is developed, the chain of reaction will be bitter and dangerous. It can precipitate and unhappy form of competition, throw people out of work and create depression, or worse. It could be one of the causes for war in the future.

Consequently, as a representative of the people of the biggest textile area in the world, I must call upon—no; I must demand of those responsible for handling the problem to handle it in the manner best in the interest of the American cotton and textile workers and producers. For what is in their best interest is in the best interest of everyone affected.

I sincerely hope that the House Committee on Armed Services will expedite the handling of this matter and will report it to the House as early as possible so as to insure its passage before the end of this session of Congress. I believe the passage of the measure is imperative.

Mr. ANDERSON. Is Dr. W. P. Jacobs in the room?

Dr. JACOBS. Yes, sir.

Mr. ANDERSON. Secretary Dodd has indicated that he will be willing to appear and testify on Thursday. I understand that you cannot be here on Thursday.

Dr. JACOBS. That is right.

Mr. ANDERSON. So, with the assistance of Mr. Dodd, the committee will be pleased to hear you at this time.

Dr. JACOBS. Thank you very much, sir.

Mr. ANDERSON. Will you please take the chair there and identify yourself for the record. Will be glad to have any statement you care to make.

## STATEMENT BY DR. WILLIAM P. JACOBS, PRESIDENT, AMERICAN COTTON MANUFACTURERS ASSOCIATION

Dr. JACOBS. Mr. Chairman and gentlemen, my name is W. P. Jacobs, from Charlotte, N. C. I am president of the American Cotton Manufacturers Association, which represents about 86 percent of the textile industry in the United States. They are, however, the cotton manufacturers and weavers of rayon in the South. There are some New England mills who are members of our association, but the New England mills have a separate association.

I would like to thank Secretary Dodd and the chairman and you gentlemen for this privilege.

Mr. ANDERSON. We all appreciate Secretary Dodd's deferring his appearance until Thursday.

Dr. JACOBS. Yes, sir.

My statement will be very brief, sir.

First, a brief explanation of the reason why I am here. The cotton textile industry has no direct interest in this bill per se; but sometime ago we did have a considerable interest in the potential competition with the Japanese industry.

In conferring with Under Secretary Draper and urging him to avoid the necessity of the sale of the products of the Japanese industry in the United States, he stated that he might have to sell some of the products in the United States because of the shortgae of dollars. It is the same story that you heard referred to several times. And, apparently, in all international matters you run into that same problem. I urged him not to sell the goods and told him we felt that we knew how they could be sold in the Orient where they were needed and where they were wanted. He said, "If General MacArthur invites you to come to Japan and show him how to do it and study the situation, would you go?" I agreed to go, and did go in January, accompanied by two gentlemen representing the textile industry—Messrs. Simms and Comer, of Greenville and Birmingham, respectively.

As a result of that trip—we had been there but a few days when we realized that it was not a problem, as the General very aptly stated, of competition, but it was a problem of survival of the Japanese industry—we reached the conclusion that it would be far better for the United States Treasury and the United States taxpayers to have this industry put on its feet financially and carry on independently than to have them our wards permanently and constantly threatening to sell their products in the United States.

Frankly and selfishly, we felt that there was a better chance, with the Japanese selling their own goods in the Orient where they have been experienced in selling them and where their goods are needed, and particularly suited, that the Japanese would do a better job of selling their goods in markets away from the United States than would the United States Army or the United States Government.

Mr. BATES. Why do you say that? I am very familiar with that prewar situation, so far as the importation of cotton textiles is con-

cerned. Why do you think the Orient offers a better market, where the situation is so desperate with respect to their purchasing power? Why would not the American market be the market for them to sell in, so that they can get American dollars with which to carry on international trade?

Dr. JACOBS. Because it never has been historically, in the history of the industry, with the exception of about 2 years when the Japanese were preparing for their war, at which time they tried to sell in the United States, and did sell some of their goods in the United States at a sacrifice price. Japanese goods do not compare with the products of the United States in quality.

Mr. BATES. That is right. They have a cheaper type of goods.

Dr. JACOBS. Yes, sir.

Mr. BATES. But in 1937, '38, and '39—I well recall the situation developing—the Japanese imports of cotton sheeting and many other things were directly coming into line with the cheaper type of products that we were making in this country. The Japanese industry, as was cited this morning, increased their spindles from four to eight million in the period of a year—is that the figure we had?

Dr. JACOBS. I did not hear the figure.

Mr. BATES. From four to eight million, or somewhere thereabouts.

Dr. JACOBS. It increased; yes.

Mr. BATES. And they were rapidly getting into line, the same as Czechoslovakia and other countries in the world were, in manufactured products.

Dr. JACOBS. You ask why I say that?

Mr. BATES. Yes.

Dr. JACOBS. For the reason that the Japanese goods have always been peculiarly made for the Orient.

As I started to say, they are inferior grades of goods and have never been sold successfully in this market. They were sold at cut rates—partially, you might say, subsidized by the combination of circumstances and times. That is, they had a combination of shipping, banking, production, and merchandising and all factors having to do with the textile production of Japan. They were amalgamated or integrated into one operation, which gave the apparent effects of an imperial subsidy. As a consequence, they came into this country and, despite a relatively high tariff wall, were able to sell in this country.

I think this might be of especial interest to you, sir. Those goods do not compete with the fine goods of the New England industry.

Mr. BATES. That is right; I understand that.

Dr. JACOBS. They compete only with the southern industry.

Mr. BATES. That is right; I understand that, too.

Dr. JACOBS. Yes, sir.

We would normally be afraid of that competition, but there are several factors which bear on this subject which are of tremendous importance. The principal factor now is that the Japanese, of course, have no money. They have utilized their surplus. The second is that they are in process of reorganization of their corporations. There are a good many legislative limitations on their operations, which they have never experienced before. They have lost a good many of their merchandising experts.

But more important than that, the Japanese do not have the equipment to compete with us for some time to come. I think that they may some day——

Mr. Bates. You mean in volume?

Dr. Jacobs. In volume.

Mr. Bates. They have the same types of textile machinery, though probably not so up-to-date; but in volume much less?

Dr. Jacobs. They have 1,800,000 spindles operating today, as contrasted with over 12,000,000 operating before the war.

I have been told by experts in the machinery field that it will be at least 1952 or '53 before they can reach their present intended goal of 4,000,000 spindles.

Mr. Bates. 1952?

Dr. Jacobs. Yes, sir.

I do not believe that we have, therefore, a competitive problem.

We reached that conclusion, sir, and felt that we might assist SCAP in setting up an orderly method of merchandising and assist them in the financing of their raw materials. We found that they were following the hit-and-miss process. That was our first recommendation to General MacArthur and to Under Secretary Draper when we returned here.

Mr. Bates. What was the daily wage being paid to the textile workers in Japan when you were there?

Dr. Jacobs. That is impossible to say, sir, for the reason that they pay them in yen.

Mr. Bates. I know; but what is it converted?

Dr. Jacobs. I know that the commercial exchange rate—official—or the yen at that time was 50 to 1. Actually, according to the experts, the value should be about 190 or 200 to 1. No one knows what the yen is worth. The Japanese printing presses are turning out an awful lot of money today, with nothing behind it.

One of our recommendations, incidentally, dealt on that subject.

Now, there are a good many things that we felt needed to be done. Smarter merchandising and a permanent type of revolving fund financing the purchase of raw materials were two of the major things. A third was the necessity of amending the interagency agreement, that is, the Commodity Credit Corporation contract, which handicapped the sale of goods made from cotton secured under that contract. A fourth and serious problem was eliminating these currency restrictions resulting from the limitations which the British had placed on the use of sterling, in converting it into dollars, for the purchase of Japanese textiles. It seemed to be a rather difficult problem.

We recommended 16 points. We came back here and submitted them to Under Secretary Draper. To our surprise—we thought we had an original idea in our plan for a revolving fund—we found that Senator Eastland was way ahead of us. He had a bill already drafted along that line. I am glad to be able to tell you that the textile industry enthusiastically supports that bill. We think it is sound. We think the Japanese, in a reasonable way, should be allowed to rehabilitate their industry.

And we believe, from the many conferences that we had with the representatives of other governments, and with the Japanese while there, that a satisfactory arrangement can be made when the peace

treaty is signed, which will be of a permanent nature and will retain their friendship and cooperation.

On the matter of repayment of this loan, we recommended a revolving fund, simply because it is just exactly that. This will not cost the United States Government anything, and that is our reason for recommending it.

It is my own personal opinion, and only a personal opinion—and in this I am not speaking for the textile industry—that this bill is a great improvement on the necessity of financing the contributions to the European recovery program. I feel, personally, that if we could have had a revolving-fund principle involved in that step it would have been sounder.

The Japanese people have a great deal of energy. They will work. Now, I hold no brief for the Japanese. I am not trying to make saints of them at all. History has their record. But I would say this for them: that they have one thing that most of the people of the balance of the world do not have—they will work, and they will work hard. I believe they will work this industry out and that they can get it on its feet and out of the pocketbooks of the Federal Government, through this revolving fund, in time.

I believe the revolving fund will also contribute materially to the cost of recovery of the Japanese economy.

Mr. ANDERSON. Dr. Jacobs, do you have any idea of the basis for the opposition that Mr. Dodd has to this bill?

Dr. JACOBS. Who?

Mr. ANDERSON. Secretary Dodd.

Dr. JACOBS. I did not know that he opposed it.

Senator EASTLAND. No; he is for it.

Mr. ANDERSON. He indicated—perhaps Senator Eastland can answer this—in his private conversation to me before he left the committee room, that this bill has something to do with section 32 funds.

Senator EASTLAND. No; he is for the bill. He testified for it. But he objects to the amendment that Mr. Draper recommended——

Mr. ANDERSON. That is, the language as contained in the ERP bill which the Secretary read to us before he left the stand?

Senator EASTLAND. Where they ask that part of the funds come from section 32.

Mr. ANDERSON. I see. Then, his objection is not to the bill as drafted but to the suggested amendment.

Senator EASTLAND. The Department of Agriculture favors the bill, and Dr. Dodd testified in favor of it.

Mr. ANDERSON. All right; thank you.

Senator EASTLAND. But his objection was to that one amendment.

Mr. ANDERSON. I am glad to have you point that up to me, because I was not too sure where he stood.

Any further questions, Mr. Bates?

Mr. BATES. Dr. Jacobs, you say we are not going to lose any money, or words to that effect.

I find, however, on page 4, line 14:

If, after purchasing any such commodity with moneys from the funds, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amount specified in clauses (1) and (2)—

which was enough to cover the cost and reimburse us—then—

the Secretary of the Army may sell such product for a lesser amount * * *.

Now, that is presupposing that he is going to find a market that will sustain the over-all cost plus a reasonable profit in the Asiatic area. Would that be your interpretation?

Dr. JACOBS. That, of course, could happen, Mr. Bates; but actually the cost of the raw material represents less than 50 percent of the total sales prices of the product. I am quite sure that there will be plenty of margin there for security.

As has already been mentioned, the Japanese industry is making a profit today in their operations.

Mr. BATES. Speaking about this so-called surplus waste held by the Commodity Credit Corporation, do you agree with Senator Eastland that there is no market in this country for that waste?

Dr. JACOBS. Cotton waste?

Senator EASTLAND. You mean wool?

Mr. BATES. That he says there is no market for today.

Senator EASTLAND. Wool.

Mr. BATES. Wool waste.

Dr. JACOBS. The low-grade wool stocks that the Commodity Credit Corporation has. I said that was the purpose of the bill, to use those stocks.

Mr. BATES. I see. Wool, instead of cotton?

Dr. JACOBS. Yes, sir.

Mr. BATES. Tell me—you have an over-all picture of the textile industry, including wool as well as cotton—would you say this so-called low-cost cotton waste has any market in this country?

Dr. JACOBS. Well, I am not sure that I understand your question, Mr. Bates. The only waste which would be available under this program—cotton waste—would be card strips and comber noils—the two types of waste which are the highest grade of spinnable waste. Some of that waste has already been purchased—last year. I think about 19,000 bales have been used by the Japanese industry, or are in the process of being used today.

In recommending that SCAP consider some additional waste, we urged them to buy it in smaller quantities so as to be sure that they are right. They have never used American waste in the past, and we felt that it was the soundest way. If there is going to be any short supply of waste, we felt that this program should not adversely affect the price.

Mr. BATES. Is there an excess of waste today?

Dr. JACOBS. Yes, sir; there is.

Mr. BATES. Held by the Commodity Credit Corporation?

Dr. JACOBS. No. So far as I know, the Commodity Credit Corporation holds no raw cotton.

Mr. BATES. What about wool waste?

Dr. JACOBS. Wool, I do not know, sir.

Senator EASTLAND. Well, you would not call it "waste." As I understand, the cotton waste is the low-grade waste from the machines. It is not spun, in the manufacturing process. But the Commodity Credit Corporation has $160,000,000 invested in low-grade wool that is not used in this country and for which there is no market.

Mr. BATES. Do you agree with that statement?

Dr. JACOBS. Yes, sir; I do.

Mr. VINSON. You do not classify that as "cotton waste"?

Senator EASTLAND. No. It is wool, raw wool.

Dr. JACOBS. It is low-grade wool. And I have been told they are anxious to get rid of it.

Mr. VINSON. Why should not this bill just say "purchasing natural fibers," and leave out "including cotton waste"?

Senator EASTLAND. Because they need some waste which the textile mills in this country own. It has to come from somewhere. They want to sell it.

Mr. VINSON. Well, is there an American market for all the waste that generally occurs in the process of manufacturing by the textile mills?

Senator EASTLAND. I could not tell you about that, Mr. Vinson. I do not know.

The people from the textile areas wanted that amendment put in the bill. It was put there at their request. I could not tell you a thing about it.

Dr. JACOBS. What was the question, Mr. Vinson?

Mr. VINSON. The question is running through my mind why you put in brackets, after you say "purchasing natural fibers," "including cotton waste." You are specific in saying that you are going to purchase cotton waste as well as purchasing natural fibers. I am just wondering why you are trying to force the purchase of cotton waste.

Dr. JACOBS. It was not an attempt to force the purchase of cotton waste. During the OPA days certain definitions were set up concerning waste. I am not sure that they ever did definitely determine whether it was a natural fiber or whether it was a byproduct. For that reason it was thought best to put the product in that way.

Mr. VINSON. Well, as used in the bill, it is not used as a natural fiber, is it Senator?

Senator EASTLAND. No, sir.

Mr. VINSON. As used in the bill, it is not used as a natural fiber?

Dr. JACOBS. That is right.

Senator EASTLAND. Natural fiber is a farm product before it is processed.

Mr. VINSON. That is right.

Senator EASTLAND. And that cotton waste is a waste in processing. Of course, we said "natural fibers" to keep rayon out of the bill.

Mr. ANDERSON. Thank you very much.

Anything further, Mr. Bates?

Mr. BATES. No.

Mr. ANDERSON. Mr. Bishop.

Mr. BISHOP. Do you think it is going to be necessary to set up an OPA or a rationing program to take care of this?

Dr. JACOBS. I do not think so.

Mr. BISHOP. How long do you think it would take the Japanese people to catch up with you and your industry, if we furnish them the raw materials and the machinery to be a competitor of yours?

Dr. JACOBS. Well, I do not think we ever will furnish them with machinery. They will supply their own, in time. The raw materials they buy as an individual industry, any way you take it, sir. They will buy from us as well as from other governments.

Now, by catching up with us, if you mean how long it will take them to return to their former productive capacity, I would say it will take 15 to 25 years, if then.

Mr. BATES. With 12,000,000 spindles?

Dr. JACOBS. Yes.

Mr. BISHOP. In case the competition would become noticeable to you and your industry in the next 3 or 4 years, would you be for a protective tariff, along those lines?

Dr. JACOBS. I do not believe that you will ever be able to raise tariffs high enough to do much protection in the world of the future. If you will take the combination of circumstances—and I am not talking against protective tariffs—which we are faced with today, you will realize that—a weaver in Mexico operates 2 looms, in South America 4 looms, in England, from 6 to 8 looms, in Japan from 16 to 18 looms, and in the United States on fast-production plain goods from 60 to 100 looms—the future of the industry in this country will not be measured by wage scales or by tariffs. It is going to be measured by the wisdom of the leaders of industry in adopting mass-production methods and installing automatic machinery so as to reduce the unit cost of production—so that the worker may earn more by producing more, and so that the goods may be sold at a lower price that more people may consume them and more may be employed in their production.

But that is another subject, sir.

Mr. BISHOP. That is a beautiful statement. What about the standard of living for our people?

Dr. JACOBS. That is the only way we can hold our standard of living in this country. It is by the American cycle of mass production methods, which involves the cooperation of all concerned.

Mr. BISHOP. Then why are the people of your industry now looking for spots in Argentina and Japan?

Dr. JACOBS. They are not.

Mr. BISHOP. Yes. We have direct evidence on that.

Dr. JACOBS. They may be looking for them, but I can tell you, sir, they are not going to find them.

Mr. BISHOP. What?

Dr. JACOBS. They are not going to find them. The circumstances which I just mentioned to you will discourage the development of the industry in other countries for some time to come. I have been in a number of countries since the first of the year—in Japan, England, Mexico, and in Guatemala—and I am convinced that we do not have near the world competitive problem that we once thought we had. Our big problem is that we are too strong, too wealthy, and we are going to have to be cooperative in setting up a world system.

Mr. BISHOP. When we stop giving away and financing the world, then what will be the answer?

Dr. JACOBS. Of course, theoretically the world is supposed to get back on its feet. Whether it will or will not I do not know. I think the most discouraging factor is the one I mentioned a few moments ago, and that is the people do not seem to be interested in doing much work, other than in Japan.

Mr. VINSON. If I may answer Mr. Bishop: If you stop lending aid and assistance, the world will go communistic.

Mr. BATES. They might go to work.

Dr. JACOBS. They might do either.

Mr. VINSON. They are already working now, but they have not anything to work with. You have to have something to work with.

Senator EASTLAND. Gentlemen, under this bill you are not giving them anything.

Mr. BISHOP. I am endeavoring to get the answer of the witness rather than from the gentleman from Georgia. That is the reason I asked you the question.

Now, tell me where you think you are going to get the money to finance this program? When they just recently got away from the cheap loan money on housing and what not for the veterans, how do you expect them to finance this one?

Dr. JACOBS. This was to be borrowed from the Treasury, according to the bill. I am not the originator of the bill, and I am not an expert on the mechanics of it, sir. That has been designed by men who are more competent than I. I am only interested in the need of the bill. That is the only story I am bringing you.

Mr. BISHOP. Well, I am very much pleased with your being here and giving us that, because you are on the ground floor and should know more about it than those who prepared the bill. That is my judgment. I would rather have your reaction on it than some of those who prepared the bill.

May I ask: You wholeheartedly endorse this program, as you heard it outlined this morning, to be handled by the Army? I do not understand why, when there has been a merger of the three services into a Department of Defense, it is not handled there instead. Of course, you are not interested in who handles it, just so it is handled; is that right?

Dr. JACOBS. That is right, sir. I am in favor of it. I think the bill should be passed. I think it is important.

Senator Eastland will tell you that in this whole matter, I made my decision in Tokyo. I stuck my neck out. I spoke for the textile industry of America, without any authority. Since I have returned here they have unanimously backed me up in it. It is a fine, unselfish step they have taken, and I am very proud of it.

Mr. BISHOP. You think, then, it is better for the handling of it to be in the hands of the military than to have this program in the Agriculture or Commerce Departments?

Dr. JACOBS. I will not answer that one, sir. I have not the slightest idea.

Mr. BISHOP. Has your industry talked it over?

Dr. JACOBS. I think that SCAP, under the direction of General MacArthur, is doing a splendid job in Japan, if that is what you mean.

Mr. BISHOP. No; that is not what I mean. I definitely feel as you do on that point. I am just wondering if there is not another agency or department that could do just as good a job as the military.

Dr. JACOBS. I do not know.

Mr. ANDERSON. I might point out to the gentleman from Illinois, of course the occupation of Japan is under the military authority.

Dr. JACOBS. It is.

Mr. ANDERSON. That is why they would have the administration of this legislation.

Senator EASTLAND. In fact, the whole Japanese economy today is being operated by the Army.

Mr. Anderson. That is right. Those of us who have been there and seen it, I know, will all agree with the Doctor that General MacArthur is doing an outstanding job there as the head of that organization.

Mr. Bishop. Yes. But that is soon to be stopped. I grant just what you say is true.

Mr. Bates. Does this bill, Doctor, provide for the purchase of these commodities for countries other than Japan? There are no restrictions in the bill, are there? It applies to all other occupied areas, or any other country in which the military is now in control?

Dr. Jacobs. As originally drafted, it included only Japan, and at the suggestion of the Department of the Army some of the other occupied countries were added.

Mr. Bates. I agree wholeheartedly with what you say. We have a great responsibility insofar as the rehabilitation of these foreign countries is concerned. That is why I voted for ERP. I think this is something along the same line.

The only thought I had in mind was whether or not we are going to purchase these commodities which are in short supply. You know the textile and the leather industries are wedged in now by the rise in cost of the raw materials, the restrictions on imports, and the high resistance we are finding now on the part of the purchasing public, and these factors have resulted in the closing down of many of our factories.

Dr. Jacobs. Mr. Bates, we found out in the long run that the higher the prices of raw materials and thus the higher the prices of the finished materials the more dollars a manufacturer makes—not a higher percentage, but the more dollars he makes.

Mr. Bates. They do not make more dollars, Doctor, if they are closed down.

Dr. Jacobs. No.

Mr. Bates. And the facts are the industries are closing down. The shoe plants are closing down. The leather plants are closing down. The textile industry is on a high level because I presume they have a tremendous market ahead of them for several years to come. But we do know those industries are wedged in by the high cost of raw materials, labor, and so on, and the resistance on the part of the purchasing public. They are not buying. We know that because we see it every day.

Dr. Jacobs. Yes, I think that is true.

Mr. Bates. Hundreds of them have closed down already.

Dr. Jacobs. I do not believe that this bill accentuates that at all.

Mr. Bates. I do not think so, as long as there are some restrictions on the purchase of raw materials which are in short supply. That is the only thing I am concerned about.

Mr. Vinson. Are there any shoe manufacturing plants closing down on account of the scarcity of raw materials?

Mr. Bates. The high cost of raw materials and the resistance of the market.

Mr. Anderson. Members of the committee, I wish to call attention to the fact that the House is now in session. There is some important legislation over there. I want a brief executive meeting of the committee.

So the committee will go into executive session, to resume hearings on this bill at 10 o'clock Thursday morning.

Thank you very much, Doctor.

Dr. JACOB. Thank you very much. We appreciate this opportunity, sir.

(Whereupon, at 12:05 p. m., the committee adjourned.)

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE NO. 6, PROCUREMENT AND SUPPLY,
*Thursday, May 13, 1948.*

The subcommittee met at 10 a. m., Hon. Harry L. Towe (member of the subcommittee) presiding.

Mr. TOWE. The subcommittee will come to order.

Mr. FISHER. I understand you are in a hurry to get away and you have a statement you would like to make to the committee.

Mr. FISHER. Mr. Chairman, I would like to make a brief statement, if I may.

## STATEMENT BY HON. O. C. FISHER, UNITED STATES REPRESENTATIVE IN CONGRESS, TWENTY-FIRST DISTRICT, STATE OF TEXAS

Mr. FISHER. Mr. Chairman, I appear here in support of S. 2376, the so-called revolving fund bill.

The bill, as indicated in the Senate report, provides for the establishment of a revolving fund of $150,000,000, available to the Secretary of the Army, for the purchase of natural fibers in the United States for processing in the occupied areas. Upon sale of the processed goods either in the domestic market of the occupied areas or for export, a sum equal to the amount withdrawn from the revolving fund, plus 2½ percent interest, would be returned to the fund in United States dollars.

This bill was readily passed by the Senate, based upon a report that the bankrupt condition of the textile industry in the occupied areas, plus the problem of inadequate supplies of raw materials, justifies the legislation. Moreover, it was found that in order to reduce certain occupation costs now being borne by the United States, some means must be provided for the recovery and reestablishment of a working, productive textile industry in those areas. It was estimated by witnesses before the Senate committee that the appropriation for occupation requirements for the 1949 fiscal year would have been approximately $300,000,000 less if an adequate revolving fund had been established 2 years ago—something like this.

So, Mr. Chairman, this bill can serve two purposes. First, it can have the effect of saving this Government some money by helping the textile industries in the occupied countries to get back on their feet and become self-supporting. Secondly, it affords an opportunity to help dispose of some of our surplus fibers, particularly mohair—since mohair is grown principally in the district I represent, I refer to that in particular—and in that way it would directly help our own economy.

I wish to point out that at this moment there is an unprecedented surplus of mohair in our warehouses that approximates 12,000,000 pounds. Angora mohair is a rather delicate fiber and can be put to

good use in the textile mills in both Germany and Japan. It blends with wool for clothing and is also very desirable in the manufacture of blankets, upholstery, draperies, and so forth.

As I have pointed out, we now have a surplus of around 12,000,000 pounds of mohair. This is over and above any domestic demands at this time. A new crop of some 8,000,000 pounds will be shorn in August. It is believed that under the terms of this bill a considerable amount of this large surplus can be included in the program. And by doing so no damage whatever will be done to our economy. On the contrary, such use will be beneficial to our mohair growers and will help to sustain an industry that is now in a depressed condition.

Mr. Chairman, I am particularly anxious that the following provision in S. 2376 be retained:

> In the case of wool, mohair, or flax fiber—

I put emphasis on the retention in the bill of the designation of those particular types of fibers—

> only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export.

There certainly should be no provision in this bill to restrict the purchase to stocks of fibers owned by the Commodity Credit Corporation. To do so would be to eliminate mohair entirely because the Commodity Credit Corporation owns no mohair. That, of course, is not desired by anyone becaue the surplus of mohair offers an available fiber that will contribute to the success of the program, as will the surplus of cotton, wool, and flax. In my testimony, I am laying considerable stress on mohair because the surplus is admittedly relatively more pronounced, and the surplus I have referred to is admittedly above domestic requirements.

Mr. VINSON. Mr. Chairman, I would like to ask Mr. Fisher a question.

You made the statement that if this revolving fund of $150,000,000 had been in existence some previous years it would have reduced the occupational cost at least $300,000,000. Is that not what you said?

Mr. FISHER. I will say to the gentleman from Georgia that I was referring there to the testimony of the witnesses before the Senate committee, who made that statement.

Mr. VINSON. I would like you to elaborate as to how it would reduce the occupational cost if there was a revolving fund of $150,000,000 for rehabilitation of the textile industry in occupied areas.

Mr. FISHER. Well, it is my understanding—and I think by referring to the Senate report you will get that much clearer—that there are many idle spindles in Japan—as is true in Germany—and that the textile industry over there is in a bankrupt condition; that if they were in operation and were producing as they were capable of producing, the economy of those areas would be stimulated to the point where much of the drain upon our own funds in support of the economies over there would be greatly reduced, and the estimate has been made that that might run as much as $300,000 per year.

Mr. VINSON. In other words, it would afford the opportunity for the employment of people in the occupied area, and therefore they would not become a charge on the occupational force?

Mr. FISHER. That is correct.

Mr. VINSON. And in that way it will contribute to the economy of the country as well as reduce the occupational cost.

Mr. FISHER. That is true, I am sure.

Mr. VINSON. Now, one other question: You stated that there are 12,000,000 pounds of surplus mohair.

Mr. FISHER. Yes, sir.

Mr. VINSON. Did you not also state that that is not owned by the Commodity Credit Corporation?

Mr. FISHER. The Commodity Credit Corporation owns no mohair.

Mr. VINSON. That is what I thought you said. Who owns this 12,000,000 pounds?

Mr. FISHER. It is owned by the individual growers, being stored in the warehouses principally in Texas.

Mr. VINSON. That is right.

Mr. FISHER. And some four or five other States.

Mr. VINSON. What is the prevailing price of mohair, in view of the surplus of 12,000,000 pounds? How much is it per pound?

Mr. FISHER. There is no ready market for it. If someone wanted to sell 1,000,000 pounds of mohair tomorrow, I wouldn't know where to tell him to go, and I would not know what they might get. There are some scattered sales running around 35 cents to 40 cents. A year ago mohair was selling for 65 cents, that is similar mohair.

Mr. VINSON. Mohair was selling for 65 cents a pound?

Mr. FISHER. Yes.

Mr. VINSON. Was there any 12,000,000-pound surplus then?

Mr. FISHER. Oh, no, there was no surplus then. It has accumulated.

Mr. VINSON. There will be, then, with this year's clip, approximately 20,000,000 pounds of mohair in sight, will there not?

Mr. FISHER. That is correct, approximately.

Mr. VINSON. That means that the goat herders in Texas that have Angora goats, from which mohair is produced, cannot find a market?

Mr. FISHER. That is correct.

Mr. VINSON. For this enormous amount of mohair?

Mr. FISHER. We are faced with a very subnormal situation at this time with respect to the consumption of mohair in this country. We have every feeling——

Mr. VINSON. What is that due to? Is it due to the high cost of mohair, or is it due to the type of worsteds that mohair is being manufactured into? What is the reason people do not use mohair?

Mr. FISHER. Well, it is not easy to say what the cause is. Perhaps it is a combination of causes. Mohair is a very durable fiber, and has been used extensively in the manufacture of upholstery for automobiles and similar uses in the past. Right at this time, as you know, there is very little competition that enters into the sale of automobiles, so even though mohair is a much more desirable fiber than some of the substitutes that are being used in the upholstery in automobiles at this time, anything will sell.

Mr. VINSON. Let me get this straight in my mind: Are the spindles in the occupied areas, particularly in Japan, adjusted so they can use mohair?

Mr. FISHER. I understand so. We have a report, which I am sure——

Mr. VINSON. As a matter of fact, there has never been much exporting of mohair to Japan, has there, in the past?

Mr. Fisher. Very little.

Mr. Vinson. That is right. Then I would reach the conclusion that the spindles in Japan are not so adjusted, unless you can convert the spindle from cotton fiber or wool fiber into mohair without any serious trouble. If so, then it does not make any difference.

Mr. Fisher. Well, it is my information that they are adaptable.

Mr. Vinson. All right.

That is all, Mr. Chairman.

Mr. Fisher. I will say further that in Germany we have a report from Berlin—which Under Secretary Dodd can elaborate on—which shows that they are equipped over there to use mohair.

Mr. Vinson. Let me get this straight. You say notwithstanding this enormous surplus of 12,000,000 pounds of mohair—which you say is not owned by the Commodity Corporation but is in the hands of the various growers back in Texas—it still brings 65 cents a pound?

Mr. Fisher. Oh, no. The fact is we do well to get 35 cents or 40 cents today for it.

Mr. Vinson. I see. Is there any monooply on mohair or is it owned by the individual farmers?

Mr. Fisher. It is owned by small producers—individual producers.

Mr. Vinson. That is all.

Mr. Towe. What is the normal consumption in the domestic markets of mohair?

Mr. Fisher. In this country, in 1947, the production was 18,500,000 pounds. Normally, the consumption very nearly equals that amount. We rarely ever export mohair. The production last year was about 4 percent under the production the preceding year. I anticipate this year, with the depressed condition, that the production will be greatly reduced.

During the first 4 months of this year, the liquidation of herds in Texas was 500 percent greater than it was during the first 4 months of last year. Se we are faced with the liquidation of a very fine industry, and one I think that is quite essential to our economy, unless some measure is taken to protect it and sustain it during these subnormal times through which it is going.

Mr. Vinson. And on the ranges where the Angora goats roam there is probably nothing else to make a living, is there?

Mr. Fisher. That is correct.

Mr. Vinson. So if they did not have this mohair development in that section of Texas, why, you could not have any source of income from those vast areas down there, because cattle cannot be produced there economically?

Mr. Fisher. That is correct. For some biological reason, I suppose, mohair is grown in a limited area in this country. It is in the hill country of southwest Texas. The goats not only thrive there, but they help to keep down the brush which would very nearly take a lot of that country, except for the use of goats. So the continuation of the industry is very vital to the economy of southwest Texas, and, of course, to the entire State and to the whole Nation, because it constitutes a very vital part of our fiber production in so many different types of textiles that are produced.

Mr. Towe. Do you have any questions, Mr. Bishop?

Mr. Bishop. No.

Mr. Towe. That is all, Congressman Fisher.

Mr. Fisher. Thank you, Mr. Chairman.
Mr. Towe. Mr. Pace, did you want to make a statement?
Mr. Pace. Thank you, Mr. Chairman.

## STATEMENT BY HON. STEPHEN PACE, UNITED STATES REPRESENTATIVE IN CONGRESS, THIRD DISTRICT, STATE OF GEORGIA

Mr. Pace. Mr. Chairman, I shall be very brief.

I am inclined to the view that this is a sound approach to a problem that we have, whether we like it or not. I would like to say at the outset that I wish that this bill had been before the Congress several months ago, in order that the Congress could have taken into consideration this method of handling many of our foreign problems, rather than the methods used in the European recovery program. I am convinced in my own mind that if we had at least in part used this method in the Eurpoean reeovery program, whereby instead of voting 5 or 6 billion dollars a good part of which will be in supplying raw commodities as a gift or a grant, we had set up an enormous revolving fund similar to the small fund that is set up in this bill and had supplied European countries with raw commodities under the plan set out in this bill whereby they get them and they process them, and they sell these processed goods and pay us back, I am inclined to the view that it would have been a much more constructive program. And I think it would have had the added inducement of putting people on notice that they had to take the raw commodities and go to work and process them and sell them and make the money, keep the profits, and pay us for the raw commodities.

Now, that is what this bill does in a very small way in one occupied area, namely, Japan and Korea, as I see it.

I do not know that I have such a profound interest in it from the standpoint of representing a cotton area. You can take this view under the European recovery program: There is going to be an enormous amount of cotton shipped to the European countries. We have a reasonable outlet for our cotton now. I do not know what it will be 5 years from now. But I do not want to appear before this committee on this bill in the light that I am here trying to sell some cotton, because I am not. The price of cotton now is fair. The supply is not too abundant. It is not burdensome, at least.

I am here because I think it is a constructive method of going about an immediate problem.

And I want to say here, Mr. Chairman, I think one of the most significant things about the plan is that the American textile mills sent a committee to Japan, and they have helped to work this out.

Ordinarily, one of the first questions that comes in your mind is: 'What about the American textile business, how do they feel about reactivating the textile industry in Japan?" You might be drawn to the initial view that they would very bitterly oppose it. But as Dr. Jacobs told you Monday—he is president of one of the great textile associations of the Nation—he and others went there and sat down with General MacArthur and went over the problem, and as a consequence they have given their full stamp of approval.

Now, I am not sure how identical this bill is, but it is only the same thing we did for Spain during the war. Spain did not have too good credit. They needed some cotton. We shipped Spain cotton. We

retained title to the cotton and to the processed goods, and still they made it up and sold it, and then under some sort of bill-of-lading arrangement, we were paid the money out of what they received for the processed goods.

[Addressing Under Secretary Dodd.] There was a good quantity of cotton that went to Spain?

Secretary Dodd. I do not have the exact figure. It was a right good quantity, though.

Mr. Pace. A right good quantity of cotton went to Spain, under practically this same plan. The only difference is that there, as I recall, we did retain title to the cotton and retained title to the processed goods until we were paid. That is not necessary under this bill because the Army itself, as you will notice in reading the bill, is in complete control of the raw cotton, the processing of the cotton, and of the processed goods until they are in the hands of third parties. They control the whole proceeding. So, of course, there is no need for the retention of any lien, because there is retention of possession.

A little over 29,000 bales, Mr. Dodd says, were shipped to Spain under a similar arrangement.

It seems to me that the question resolves itself rather simply: Are we going to help get those people off of our pocketbooks by aiding them in securing some raw commodities whereby they can to go work and pay for these commodities themselves, or shall we continue to appropriate hundreds of millions of dollars to feed the occupied areas ourselves?

You understand that something quite similar to this has already been in effect. That is to say, as long as the Government owned cotton—and they owned a considerable amount at one time—we took Government cotton and shipped it over there, under generally the same plan. I think that the Japanese had a profit of 40 percent in their transaction. We got 60 percent to pay for the cotton, and the transportation, and they kept 40 percent. But the difficulty was the Government did not have much cotton.

Mr. Vinson. As a matter of fact, does the Commodity Credit Corporation have any cotton on hand now?

Mr. Pace. None at all. They may not even have a bale.

Secretary Dodd. Just a small amount.

Mr. Pace. I remember at one time they did not have but three bales, and the only reason they had those three was because they had a fuss with the warehousemen about the storage charges and they could not sell those three bales until that controversy was adjusted.

Now, if the Government had any cotton today they could go right on and do this, as they have done it in the past, but it does take authority for the Government—and here it would be the Army—to go into the open market and buy cotton. As I see it, that is the only difference between what has been done and what is now proposed to be done.

Mr. Chairman, I want to call the committee's special attention to the fact that this is calculated not to cost the Government one dime, because when you take the $150,000,000 and put it in the revolving fund, and get it out of the Treasury, the bill expressly says that you shall pay the Treasury its money.

Mr. Vinson. With 2½ percent interest.

Mr. Towe. That is, provided that they sell the goods.

Mr. PACE. Beg pardon?

Mr. TOWE. We get our money back provided that they sell the goods.

Mr. PACE. Yes, sir.

The bill does not say 2½ percent, Mr. Vinson. I think the original bill did. It says: "at such rate of interest as is necessary to provide full reimbursement to the Treasury."

Mr. VINSON. And, of course, the only way the Government can lose money is the failure to sell the goods.

Mr. PACE. They have the goods, and inasmuch as the Government's investment in the processed goods is only between 50 and 60 percent, I think we can agree that the likelihood of any loss is utterly insignificant.

Mr. TOWE. Do you foresee any possible shortage in the American market as a result of transactions that might be contemplated under this legislation?

Mr. PACE. My answer is definitely no, for this reason: I think the amount of cotton under this bill is going to be insignificant compared to the amount shipped under ERP. I studied those figures a week ago and my recollection is that under ERP we calculate to ship out 1,400,000 bales of cotton by the first day of July. Well, no such quantity of cotton is contemplated under this bill. Therefore, where the adjustment is going to be to protect the American consumer, and to stabilize a reasonable price for cotton is not under this bill but under ERP because there is plenty of discretion there whereby—if the price of cotton should get out of reason—all you do is adjust your exports in order to keep it within reason.

Mr. TOWE. Mr. Van Zandt, do you have a question?

Mr. VAN ZANDT. Is it possible for private capital to go to Japan and make this arrangement?

Mr. PACE. It has not been possible to set it up.

Now, Dr. Jacobs was here. I missed his statement, although I had talked with him privately.

You did not hear his statement Monday?

Mr. VAN ZANDT. No.

Mr. PACE. Well, he gave the full account.

Now, let me say in this connection, Mr. Van Zandt, that this bill expressly provides that private agencies shall be used in every way possible.

Mr. VAN ZANDT. Private what?

Mr. PACE. Private agencies.

I think this: If you use private capital, private capital would immediately come in and ask for a bill of this kind for their protection. I do not think there is any doubt about that.

Mr. TOWE. To guarantee it.

Mr. PACE. Sure.

Mr. VAN ZANDT. Is it not true that General MacArthur invited representation of American business to visit Japan for the purpose of initiating investments?

Mr. PACE. Yes, sir. And Dr. Jacobs, who was here Monday, was a member of that committee. He went over and worked on the problem with General MacArthur for some 2 or 3 weeks, and this bill is a consequence of their conferences.

Mr. VAN ZANDT. In other words, private business is not willing to invest money in order to launch this program, but they want the Government to finance it; is that correct?

Mr. PACE. I think they would be in this position, and probably you and I would, too: Inasmuch as we are in utter and complete control in Japan, we would have to do for them exactly what is done here. If private business took 50,000 bales of cotton and went to Japan with it, I think they would immediately call on General MacArthur and say, "Now, listen, I am expecting you to protect my cotton until it is processed, and I am expecting you to protect the processed goods until I can sell them and convert it into dollars."

Now, the State Department, as you know, is suggesting some amendment, which had not been coordinated with the War Department, and which will be proposed.

But all I want to say is I think it is a sound approach to a problem that will relieve our occupational costs considerably and I hope it will have the committee's cordial approval.

Now, if there are any other questions.

Mr. TOWE. Thank you very much, Mr. Pace.

Mr. TOWE. Secretary Dodd.

## STATEMENT BY HON. NORRIS E. DODD, UNDER SECRETARY, DEPARTMENT OF AGRICULTURE

Secretary DODD. Mr. Chairman and members of the committee, I do not have a prepared statement. We did testify before the Senate committee.

Because of our experience in handling this trade on cotton for the Army in Japan and Germany, although we did not sponsor the bill, we are in favor of its passage. We think it has a good deal of merit. It would give the Army an opportunity to have sufficient working stocks so that they can operate in a much larger way than they have been able to do up to now.

I do have the information as to the amount of material that was shipped both to Japan and Germany, how their rate of payment has been, and those things, if the committee would be interested.

Mr. TOWE. We are interested.

Secretary DODD. I would be very glad to give that.

Mr. TOWE. All right.

Secretary DODD. The Army approached us in 1946, early in 1946, and asked if it would be possible for Commodity Credit to furnish them some cotton for movement to Japan to be processed, and to wait for our money until they could sell the goods. We worked up a deal with them whereby they agreed to pay our domestic price for the cotton, plus 3 percent interest on unpaid balances.

We shipped under that arrangement a total of $180,146,983 worth of cotton to Japan and a total of $34,206,079 to Germany. The interest accrued on the Japanese account was $4,897,000 and on the German account, $1,343,873.

That was an overall total of something in excess of $220,000,000 advanced. Of that amount, we have been repaid at this time—that is, as of the 1st of May—all but $72,000,000: An unpaid balance on the Japanese account of $52,022,951, plus accrued interest of $1,055,951,

and on the German account of $18,337,000 on principal and $775,415 on interest, or a total of $19,113,316.

We have a deal whereby we get so much money a month, regardless of their sales. They can pay us a larger amount if they so wish. And the account is being retired very fast. The last of the cotton we shipped I do not suppose is actually in their hands at this time. It has not arrived.

Mr. Towe. At that point, do you know roughly where the goods were sold?

Secretary Dodd. In the case of Japan, pretty well over the South Pacific. We did make some deals with some of the European countries' Far Eastern possessions for copra and other oils that we needed. We could not make the deal for money, but we could for supplies. They wanted consumer goods and textiles is one of their greatest needs. We were able to get large shipments of copra out of there, but we had to trade textiles. That is one of the markets. Also, there is a very large and unfilled market in the Philippines for manufactured textiles.

Mr. Vinson. Were any of the goods sold in this country?

Secretary Dodd. No. They sold in the South Pacific, Mr. Congressman.

Mr. Towe. How about the cotton that was sent to Germany?

Secretary Dodd. That was practically all sold inside Germany. Those people are desperately short of clothes and will need a great deal more than they have been able to get just to keep their people even in a fair amount of clothing.

Mr. Towe. Where did they get the money to repay us on the monthly basis?

Secretary Dodd. Sales. They are sold in the regular manner in the stores. The Germans pay for it, and then it is transferred to the other account.

Mr. Vinson. How many idle spindles are there in Japan?

Secretary Dodd. I do not know. I would have to refer you to General Draper for that one. But I think if they had all the spindles that they had there prewar, you would have some 10,000,000 idle spindles, or maybe a few more. A part of those spindles were destroyed during wartime, as you know. Some of them were even melted up and used for ammunition. My guess is that they are running something like 30 or 40 percent of their total spindles.
I would have to refer you to General Draper on that one.

Mr. Vinson. How about Germany? How many idle spindles have you in Germany and how many people does the textile industry furnish employment to?

Secretary Dodd. I do not have the figure on that.

Mr. Vinson. Will you put all that in the record because somebody might want to know.

Secretary Dodd. Yes, sir. We have that information and I can put it in the record for you.

Mr. Vinson. All right.

(The information requested is as follows:)

*Textile industry in the occupied areas*

| | Japan [1] | United States-United Kingdom zone, Germany | Korea |
|---|---|---|---|
| Laborers in entire textile industry | 493, 377 | 184, 464 | 36, 269 |
| Laborers in cotton textile industry | 203, 461 | (2) | (3) |
| Cotton textile spindles available | 3, 000, 000 | 3, 900, 000 | [4] 300, 000 |
| Cotton textile spindles operating | 2, 000, 000 | [5] 1, 477, 000 | [4] 240, 000 |
| Stocks of unprocessed CCC cotton (bales) | [6] 262, 567 | [6] 2, 000 | (7) |

[1] Data are best estimates as of May 1.
[2] Cotton textile worker data not differentiated in British zone, hence not available.
[3] Detailed data are not available for cotton textile industry although almost all labor is in the cotton textile industry.
[4] Data are estimated as of end of 1947. Spindles shown as "operating" are operable but not necessarily actually operating.
[5] Number of spindles in operating condition but not necessarily actually operating.
[6] Exclusive of cotton from which claims are pending. Additional cotton is on band from non-CCC shipments.
[7] No CCC cotton has been shipped to Korea on a "credit" basis. All United States cotton shipped to Korea bas been from appropriated funds for internal consumption.

Mr. VINSON. That is all, Mr. Chairman—oh, I would like to ask one question in regard to the bill. The bill provides for "purehasing natural fibers (including eotton waste)."

Seeretary DODD. That is right.

Mr. VINSON. Why is cotton waste put in there?

Of course, the whole theory of the bill is to purehase natural fibers. Now, if you purehase a finished article, then you are going in and buying something which has already been proeessed.

Seeretary DODD. No.

Mr. VINSON. Why is not waste simply treated as being a form of the fiber which results from the proeessing?

Seeretary DODD. I think I have some information on that.

Mr. VINSON. Sweepings and certain stuff around the looms that has gone through the loom or failed to go through the loom. And it constitutes a part of an artiele of sale for whieh there is a ready market.

Seeretary DODD. I have a short statement on the amount of cotton which we ordinarily have in this eountry, and the amount that is eonsumed in this eountry, if you would like to have me read it.

Mr. VINSON. The purpose of this is to permit this revolving fund to buy some of this waste that is already in this country. Therefore, you are providing a revolving fund to take up an article which is probably not in sueh ready demand for sale in this eountry.

Secretary DODD. Congressman, cotton waste is really a byproduct. It is a spinnable byproduet, of course.

Mr. VINSON. I know.

Seeretary DODD. Called eard strips.

Mr. VINSON. That is right.

Secretary DODD. And we have approximately 300,000 bales of that stuff.

Mr. VINSON. That is right, exaetly.

Seeretary DODD. About 3 percent of our eotton eonsumption is waste.

Mr. VINSON. Now, that is in this country?

Seeretary DODD. That is right.

Mr. VINSON. That is right. Now, you are providing a revolving fund to buy eotton waste in this eountry which is somewhat in eon-

flict with the theory of the bill, which is to buy natural fiber for the purpose of giving people employment in an occpuied area.

Secretary Dodd. They do——

Mr. Vinson. And you are providing here something to buy from our manufacturers that which they cannot sell right now.

Secretary Dodd. But you do have to admit that that material is usable and it is spinnable into cheaper materials.

Mr. Vinson. What will Japan do with it now, if it is sent to them?

Secretary Dodd. They will spin it into cloth.

Mr. Vinson. They will spin it into cloth?

Secretary Dodd. Yes, sir; the same as they used our very lowest grade of cotton that we had in our Commodity Credit stocks. Japan has used historically the short staple cotton.

Mr. Vinson. Well, there is a big difference between waste and short staple cotton.

Senator Eastland. May I answer that question?

Mr. Towe. Yes.

Mr. Vinson. Why did you put in here "including cotton waste"?

Senator Eastland. Because there is a surplus waste in this country for which there is no market. The spinners of this country consume a little of it, but not much. We usually spin high grade textiles. Japan has historically used a great amount of cotton waste, because they make the very lowest grade products that it is possible to spin.

Now, SCAP, wanted some cotton waste to be spun there in Japan into textiles, and those textiles sold in Indonesia. That is the reason we put it in the bill. There is utterly no market here for it at all, but they want it and can use it and it can be sold for dollars.

Secretary Dodd. As to the amount, Mr. Congressman, we use in this country approximately 150,000 bales of card strips, and about 75,000 bales of noils, in our own spinning industry. Now, that leaves an exportable surplus of about the same as far as the card strips are concerned, and about 50,000 bales of noils.

Now, historically, we have always exported about half of our production of cotton waste. Before the war we shipped a good deal of it to England, Belgium, Germany, Italy, and Austria, in addition to the other. Last year we did pick up for the Department of the Army 19,000 bales of cotton waste for the mills in Japan, in order to make these low-cost low-quality products. They have used the short staples and the waste—the very cheapest of the fibers—historically in Japan.

Mr. Vinson. There is a difference between cotton waste brought about by the processing of the cotton fiber and short staple. Short staple is one that is only about seven-eighths of an inch long, and the waste comes out from the loom during the processing of the seven-eighths cotton.

Secretary Dodd. That is right.

Mr. Vinson. But if you have about 300,000 bales on hand that the textile industry cannot sell in this country, and if Japan can use it, and it will put people to work in Japan, why, it is all right to go and sell it, as far as I am concerned.

The theory of the bill is to put people to work back in Japan, so it can reduce the cost of the occupational force; is not that correct?

Secretary Dodd. That is correct, and that is what I tried to make clear in my opening statement.

The Army's operation of these textile mills the past 2 years, I think, has been a very successful operation. It has taken less than 60 percent of what they sold the textiles for to pay for the raw materials, the transportation, and those things. And so they have had money to put their people back to work and pay them wages, and thus be able to buy some of the things they need themselves without using all United States money.

Mr. VINSON. That is all.

Mr. TOWE. Do you know whether there would be a market, either in Germany or in Japan, for mohair?

Secretary DODD. A certain amount, yes. I do not know how much, but there would be a market for a certain amount of it. That would depend, of course, entirely upon what the people who are operating the plants would ask for in the way of supplies.

Mr. TOWE. Do you know whether the spindles could be used for mohair?

Secretary DODD. Yes, they can handle it. Of course, it would be blended with wool or cotton. Very little of it would be used straight in those countries.

Mr. VINSON. May I ask one further question, Mr. Chairman?

Mr. TOWE. Yes, sir.

Mr. VINSON. The bill says:

Purchasing natural fibers (including cotton waste) produced in the United States and such other materials * * *.

Of course, that is very broad. What other materials have you in mind?

Secretary DODD. Would not that be dyes and other things that are used——

Mr. VINSON. "And such other material," which means you have the broad right to put in any material, "including"—with the specific instruction to purchase—"starch, dyestuffs, roller leather, and card clothing, that may be used in the processing and finishing"—well, that is the material that is going to be used in processing.

Secretary DODD. That is correct, as may be necessary to use in the processing; and to transport the fibers, to insure them the sales cost, whatever it might be.

Mr. TOWE. Do you have any questions, Mr. Van Zandt?

Mr. VAN ZANDT. No.

Mr. TOWE. Mr. Bishop.

Mr. BISHOP. Do not you feel, if the surplus goods are sent anywhere and the manufacture of mohair is permitted, that there is a demand throughout the world?

Secretary DODD. I do not believe I understood your statement.

Mr. BISHOP. First of all, if the auto industry today was given this mohair at a low cost, they would immediately start lining their seats with mohair, in preference to what they are using now?

Secretary DODD. I am not so sure about that. I do not know. That is outside of my field, as to why they are not giving us better material in our seat covers than they did before.

Mr. BISHOP. Of course, if the quality is good enough for seat covers it would be good enough for wear. And I definitely know that that would be a demand at the present time if the people were given a chance to buy mohair clothing.

Secretary DODD. That is right. We all know that.

Mr. Bishop. Why not make that possible?

Secretary Dodd. Well, I do not know why it isn't possible. It isn't because mohair is high in relation to the cost of other fibers.

Mr. Bishop. Well, clothes generally are very high. They are clear out of range.

Secretary Dodd. That is right.

Mr. Bishop. It seems to me that it could be used, with the proper procedure, actually for clothing for people in the United States.

Secretary Dodd. When there is less than $4 worth of mohair and less than $5 worth of wool in a $100 suit, I cannot see how the cost of raw materials is the limiting factor in the mills using it.

Mr. Bishop. Mohair cloth has been out of existence for a long, long time, has it not?

Secretary Dodd. I do not know for just how long, but a surplus of the fiber has been built up.

Mr. Bishop. I have not seen any mohair finished cloth since the war.

Secretary Dodd. I think the actual manufacture of textiles for use by the civilian population was stopped some time during the war. That is possibly true.

Mr. Bishop. I definitely think there ought to be a survey made by you people to find out if there is not a possible program whereby it can be used for both men's and women's clothing. I know there is a definite demand for such a quality of material.

Secretary Dodd. We have tried in every way we could to see why they could not use certain qualities of wool and mohair.

Mr. Bishop. If this program goes through, per this bill, and it goes over to Japan and Germany, you can rest assured that you will be buying it right back here in the United States, in competition with our own trade.

Secretary Dodd. It might be.

Mr. Bishop. Definitely so.

Mr. Vinson. Well, Mr. Bishop, it seems to me that if there was a demand for mohair cloth in this country private enterprise would certainly be in the market manufacturing mohair cloth. The reason is because there is no demand for it. Some other method of making cloth has taken the place of mohair.

Now, you have a rich surplus down here in Texas. If Japan can manufacture it and sell it to the natives of China, and the other countries over there in the Far East, let them sell it.

Mr. Bishop. Well, celanese cloth, which has just come into existence is of course a competitor of mohair. It could, perhaps, be manufactured cheaply enough to get on the market.

Now, private industry may have surveyed it, but to my knowledge I have not heard of that being done.

Secretary Dodd. There are certain qualities of fibers that for some reason or other the manufacturers of textiles in this country just do not buy. Our experience, I think, with the wool since the war days definitely indicates that there are qualities of wool that they just will not buy, regardless of price.

Mr. Bishop. You see, you have your upholstery for furniture, as well.

Secretary Dodd. That is right. You cannot buy any furniture now that is upholstered with mohair.

Mr. Bishop. That is right.

Senator Eastland. Mr. Chairman, could I make a statement about the mohair?

Mr. Towe. Yes.

Senator Eastland. The bill provides that mohair and wool cannot be exported except in the grades and qualities that the Secretary of Agriculture designates.

Now, the reason that provision was put in there was to protect the textile industry of this country so that they would be assured of an adequate supply of mohair and wool produced in this country. And it is only contemplated, under the bill, that that will be exported which cannot be used in this country. That provision was an amendment put there by the committee, to meet that objection.

Mr. Vinson. To insure the country that there will be no scarcity here by the exporting of mohair.

Secretary Dodd. That is right.

Senator Eastland. In fact, any grade of mohair that there is a demand for in this country will be here until that demand is satisfied.

Secretary Dodd. And it is the same way on wool.

Mr. Vinson. But that does not apply to cotton.

Secretary Dodd. That does not apply to cotton; that is correct; but it does on wool and mohair.

Senator Eastland. And that is because you have a surplus in this country of raw cotton produced here. And the cotton mills that were interested passed on the bill and said, "Leave it out, we are absolutely satisfied." And, as the chairman knows, they have testified in favor of the bill as it is written.

Mr. Bishop. I may call your attention, too, to the fact that in bookbinding you use mohair. Backs of excellent quality of books are covered with mohair.

Secretary Dodd. That is right.

Mr. Bishop. There are so many phases of it that I just do not understand how it passed out of existence. And I hope you boys will make a survey of that.

Mr. Vinson. Let us hear the next witness.

Mr. Towe. Do you have something else, Mr. Dodd?

Secretary Dodd. I have nothing else, unless you have some more questions.

Mr. Towe. No further questions. Thank you very much.

Secretary Dodd. I do not know whether I made it clear that on these supplies, for which we have no use in this country and which we are unable to sell, and that the Secretary declares surplus, of course we expect to sell them at world prices, whatever that might be. We do not expect to charge the Army more for an item than the would have to pay some place else. But we do think it is right for them to use up our surplus stocks rather than have them just build up on our own hands from year to year.

Mr. Bishop. Would there be a tendency to exchange the surplus materials for finished products which would be brought here and sold?

Secretary Dodd. We have not done any of that.

Mr. Bishop. Well, would you have that intention, along with this program?

Secretary Dodd. Not under our understanding of the plan. Our job in the Department of Agriculture would be to get rid of surplus

fibers; fibers that are surplus to our needs in this country. The Army would have to find a market for them and process them and transport them. They would have to do those things.

Mr. Towe. Mr. Brooks, do you want to ask a question?

Mr. Brooks. Mr. Secretary, I was over in Europe with the Herter committee studying this problem. At that time we saw these idle textile mills in Germany, especially, and those people over there told us, and the Army told us, too, that there was a need for the textiles locally and they would not be sold in competition with our merchandise over here. That is true, is it not?

Secretary Dodd. It is going to take a long time to get enough textiles for their own use. And the same thing goes for the Far East.

Mr. Brooks. We have been trying to take care of them under a gratuity program.

Secretary Dodd. That is right.

Mr. Brooks. I want to ask you this one question: What is the estimated cotton production for the current year, based upon the amount of land put in cultivation in the United States?

Secretary Dodd. That is something which by law we are not allowed to testify on, from the Department of Agriculture.

Mr. Brooks. You are not allowed to give even the committee that information?

Secretary Dodd. That is right.

Senator Eastland. Mr. Chairman, I can state there that from the private trade the most reliable estimate is that there will be a 12-percent increase in acreage.

Mr. Brooks. I read somewhere there would be about a 14,000,000-bale crop, estimated.

Senator Eastland. Yes.

Mr. Vinson. That is a 12-percent increase in acreage. That does not tell us, by any means, what the yield will be.

Senator Eastland. Of course, the season affects that.

Mr. Vinson. That is right. It depends on the weather, and a lot of other factors.

Senator Eastland. Yes.

Secretary Dodd. According to the information we are getting, the largest increase is in the Delta region, down in Senator Eastland's area, and in the highly productive areas in the West. The weather conditions are about right, and they are planting a pretty large acreage.

Mr. Brooks. It should be a larger crop than last year, should it not?

Secretary Dodd. That is right.

Mr. Towe. Thank you very much, Mr. Secretary.

Secretary Dodd. Thank you, Mr. Chairman.

Mr. Towe. Did you have something special you wanted to say, Senator?

Senator Eastland. No, sir. I am just attending the hearings, Mr. Chairman.

Mr. Towe. Colonel Baldwin.

Did you have a statement you wanted to make, Colonel?

Colonel Baldwin. I did not, sir. I believe Mr. Draper made the only statement that the Department of the Army was going to make, on Monday. Unless you have questions I have nothing further to

add, except a reply to a request which Mr. Anderson made on Monday for a review of the amendment which Mr. Draper proposed, and which has been coordinated with the various departments concerned. I have that. I can either read it or submit it in its present form.

Mr. Towe. Colonel, you are familiar with the type of goods that are manufactured in Japan?

Colonel Baldwin. I am somewhat; yes, sir.

Mr. Towe. Is it so that most of their production is in low-grade materials?

Colonel Baldwin. It is at the present time. Their production is all below United States standards of quality, I believe. That is due to a great many factors. It is due to the materials which they have, the labor which they have had, the condition of the machinery, and a great many factors. They are capable of producing better-quality materials, but it is going to take retraining of many personnel and repair and rehabilitation of much of their equipment.

Mr. Van Zandt. What about the silk industry?

Colonel Baldwin. The silk industry is in better condition. They have more experienced personnel and are producing essentially prewar standard silk, as to quality. They are not producing nearly as much.

Mr. Vinson. May I ask a question, Mr. Chairman——

Mr. Towe. Just a second.

Do they have any market for higher grade cotton products, other than in the United States?

Colonel Baldwin. That is a very difficult question to answer because it is a function of the price and the type of currency or commodities that can be taken in exchange for those higher quality goods. At the present time, the lower quality goods have been selling, and will continue to sell, and I think would sell perhaps more readily than would corresponding higher-priced goods because the sales are very largely a function of the dollar availabilities in the various countries where we have made sales. Buying countries are interested in getting the largest volume for the least cost.

Mr. Bishop. You are doing that kind of business at the present time, are you not?

Colonel Baldwin. Pardon, sir?

Mr. Bishop. Is not the Army doing that kind of business at the present time—this exchange?

Colonel Baldwin. Not on textiles.

Mr. Bishop. I know, but others.

Colonel Baldwin. On other commodities. It is not really an exchange. They are operating under what are called bilateral trade agreements, where I sell you a certain amount and take in exchange a certain amount of other commodities which you have. But both are expressed in dollar value. So while it could in one sense be called a commodity exchange, it is really a two-directional sale, with dollars or other currencies as the standard of measure.

Mr. Bishop. Then, you could take silk, under that program. I am talking about Japan now.

Colonel Baldwin. In theory we could. In practice we never would because Japan——

Mr. Bishop. You could, if you so desired, according to the bill, and then in turn sell the silk to get the money.

Colonel BALDWIN. If you use some other commodity rather than silk, I would agree, yes. In other words, we could take lumber or any commodity that we could see in a multisided trade arrangement with other far eastern buyers.

Mr. BISHOP. You could take any kind of toys, as far as that goes, for the holiday trade, or what not. And as far as that goes, it could be clothes. It would not necessarily have to be silk. It could be clothes that they manufactured. And then you could sell them in the market to get the money; is not that right?

Colonel BALDWIN. I am afraid I do not quite understand your question, sir. Are you referring to the sale of textiles produced from cotton made available under this act?

Mr. BISHOP. I am referring to the point that you will take anything—I will say even hay—to get the money for the products which you are delivering over there.

Colonel BALDWIN. That is not quite the case.

Mr. TOWE. You would take a usable product?

Colonel BALDWIN. We would take a usable product.

Mr. BISHOP. Well, hay is usable some place.

Colonel BALDWIN. That we can convert readily or could use in Japan.

But there is one point that you must bear in mind: Enough of these sales must be for dollars to repay the cost of the raw material.

Mr. BISHOP. I grant that.

For instance, to use one specific item, fans—f-a-n-s—you could take that article and bring it back. And you would find a great market for them throughout the world; is not that right?

Colonel BALDWIN. Let me ask you this question, sir: Are you referring to the disposal of textiles produced from this cotton to other countries?

Mr. BISHOP. No. I am talking about your repayment for the material that you are going to deliver over there, sir—your exchange. In other words, it says here that you can exchange, if necessary.

Colonel BALDWIN. But I believe that that is intended to cover the sale of these finished textiles to other countries, rather than what we would take in the United States in payment for this cotton, if I understand you correctly.

Mr. BISHOP. All right, here are the words in the report. It says:

The purpose of this change is to permit sales, when believed necessary—

to get your money, when you believe it is necessary—

in currencies other than dollars—

you would sell to other countries, if you had to go that far—and then it says:

* * * through trading transactions, such currencies would be converted into dollar proceeds—

in other words, you are going around the back way to get the dollars—

to the extent necessary to repay funds withdrawn from the revolving fund.

Colonel BALDWIN. That is correct.

Mr. BISHOP. That is what I am talking about.

Colonel BALDWIN. Let us put it in a specific case. We could, for example, under this act sell the cotton textiles produced to the Dutch Indies for copra——

Mr. Bishop. That is right.

Colonel Baldwin. And take the copra and either process it in Japan and sell the processed copra——

Mr. Bishop. Or you could go to Cuba and take rum.

Colonel Baldwin. Provided we could resell the rum.

Mr. Bishop. You definitely could.

Colonel Baldwin. That is correct.

Mr. Bishop. Now, what personnel is it going to take in addition to what you have set up now to handle this program?

Colonel Baldwin. Essentially none, sir, because all of that will be handled by the Japanese; not by American military personnel or American civilian employees.

In other words, this would provide another source of cotton comparable to that which we have been getting from the Commodity Credit Corporation. But the same personnel that handle the other administration would handle this.

Mr. Bishop. Who would handle the transportation?

Colonel Baldwin. It would be commercial transportation.

Mr. Bishop. The Army will not handle it?

Colonel Baldwin. The Army would not handle it.

Mr. Bishop. It says here also—now, this is the phase of it I want to make clear to the committee, and have them thoroughly understand—

the total sum of funds advanced at any one time under this bill * * *—

in other words, it is a continuing program, as long as there is the possibility of surplus commodities; is that right?

Colonel Baldwin. That is correct.

Mr. Bishop. Then it also says, in the last line, that up to now the Budget Bureau has not cleared this legislation; is that correct?

Colonel Baldwin. You are reading from the report of the Senate?

Mr. Bishop. That is right.

Colonel Baldwin. The Bureau has been brought in on this bill, and it has been cleared with them.

Mr. Bishop. It has?

Colonel Baldwin. It has; in the intervening time.

Mr. Bishop. Where was this bill born?

Colonel Baldwin. I might add, sir, that clearnce with the Budget Bureau was, I believe, on an informal basis this morning. In other words, we have been in touch with them and have conferred with them. I do not have a formal written clearance from them, but they are aware of it and have given me a general clearance, in principle, on it. I think there are certain points that they are taking up direct with the committee on questions of policy which have not been brought up, in which we have not been thus far involved.

Mr. Bishop. Where and why was this bill born?

Colonel Baldwin. It was created primarily to provide a source of cotton to replace that which the Commodity Credit Corporation had been supplying. From the cotton which they had available in stocks under price-support programs, they had made available to the occupied areas about 1,400,000 bales. That supply was exhausted. There was no more cotton in their stocks. And, of course, they could not extend credit to go out and buy it. So there had to be another source of supply, and this bill would provide that source under comparable arrangements and at comparable costs.

Mr. Bishop. By whom?

Colonel Baldwin. Pardon?

Mr. Bishop. By whom?

Colonel Baldwin. From American sources.

Mr. Bishop. No; what department or agency conceived the idea that this was necessary?

Colonel Baldwin. It was the outgrowth, I believe, of Dr. Jacobs' visit to Japan and discussions that we had had with various agencies in attempting to find a source of supply of cotton to replace that which we have been getting from the Commodity Credit Corporation.

Mr. Bishop. Was any report made on coal?

Colonel Baldwin. On what, sir?

Mr. Bishop. On coal, c-o-a-l. Did the same committee make any report to you on coal?

Colonel Baldwin. I could not answer you on that, sir. I do not really know.

Mr. Bishop. That is all, Mr. Chairman.

Mr. Towe. Will there be any appreciable increase in domestic prices of cotton or wool as a result of this legislation?

Colonel Baldwin. That is very difficult to say. I really do not know. The amount of cotton that could be taken under this bill is comparatively small compared to all the other demands that will be made on American supplies, and when you ask whether this will be responsible for any rise in cost of cotton, I just cannot answer you. Presumably——

Mr. Towe. It will not cause the price to go down any.

Colonel Baldwin. No; I should not think so.

Senator Eastland. Mr. Chairman, could I answer that question?

Mr. Towe. Yes.

Senator Eastland. The enactment of the bill would not appreciably increase the prices of raw cotton, and it would not under any conditions increase the cost of textiles to the consumer because the mill spread is such that cotton prices could go considerably higher today before they would increase their costs at the consumer level. In the case of wool, the only thing that is involved here is $160,000,000 stocks of low-grade wool which the Commodity Credit Corporation now has and for which there is absolutely no market in this country.

Mr. Vinson. Why could not the Commodity Credit Corporation ship that wool to Japan, just like they formerly shipped 1,500,000 bales to Japan, without any legislation?

Senator Eastland. Well, Mr. Vinson, it is bound up in the question that Mr. Bishop asked. There is in the Senate an informal committee of Democrats and Republicans set up to expedite the sale of cotton to Japan. Now, we worked for months trying to get the agencies to work out an agreement for exporting of that cotton. It was the most inefficient, I am frank to say, and the most incompetent thing I ever saw, with various departments each trying to out-trade the other, and each trying to cut the other's throat, until in the case of Japan the industry there had to cut its operations for a time by 60 percent and in the case of Korea they actually let the mills be shut down and the workers go back home because they could not get the raw product there. The Commodity Credit Corporation, as it was finally worked out, after months, put provisions in the contract which interfered with sales in such a way that they could not readily dispose of the textiles.

Dr. Jacobs, and the representatives of the American textile industry, went to Japan, and they set up a system to market it. They wanted to get it free from restrictions or control by another agency.

Mr. VINSON. All right. But nevertheless the Commodity Credit Corporation did make available to Japan cotton that they owned?

Senator EASTLAND. Yes, sir.

Mr. VINSON. And that has been used up?

Senator EASTLAND. Yes, sir.

Mr. VINSON. Therefore, we have to have a bill of this character or else the textile industry stagnates in Japan.

Senator EASTLAND. It shuts down.

Mr. VINSON. All right. But why cannot the Commodity Credit Corporation get rid of their wool in the same manner that they got rid of their cotton?

Senator EASTLAND. Well, if it is handled in the same manner it will be months—some time next year—before any agreement would be worked out, and then there would be conditions attached to its use which would make it absolutely impracticable to use it.

Mr. VINSON. Let me get this straight for the record, from the Colonel: Who will the War Department deal with? Will it deal with the Government of Japan or will it deal with the individual textile manufacturers of Japan? Who did it deal with, under the Commodity Credit Corporation?

Colonel BALDWIN. The cotton from the Commodity Credit Corporation was turned over to an agency known as Boeki Cho, which is the Japanese Board of Trade. It is the governmental agency which exercises——

Mr. VINSON. Then it was turned over to the Japanese Government, and the Japanese Government then parceled it out to the various Japanese manufacturing enterprises?

Colonel BALDWIN. That is right.

Mr. VINSON. And that is probably the way it will be handled under this?

Colonel BALDWIN. Quite comparable. However, there is one major difference: Under this bill, the operation would be much easier, because under the Commodity Credit cotton operation, title to the processed material was retained until sold, and it involved a great deal of separate accounting and separate handling and extra reports that would not have been necessary had we been able to pay the Commodity Credit Corporation upon delivery of the cotton to this Japanese agency. It would have cut down tremendously the overhead that was involved.

Mr. VINSON. In this way the Japanese agency will pay you and then the Japanese agency will collect from their people when they sell the goods; is that it?

Colonel BALDWIN. These goods would all have to be sold outside of Japan.

Mr. VINSON. I understand that.

Colonel BALDWIN. And they would collect from the buyer.

Mr. VINSON. That is right. But those funds are never turned over to the Japanese.

Colonel BALDWIN. They are captured, in effect, when the sale is made. They are captured by General MacArthur's headquarters.

Mr. VINSON. All right.

Colonel BALDWIN. And applied against the revolving fund.

Mr. VINSON. Then, the agency set-up that you referred to is merely an agency to see that there is an equitable distribution among all the textile industries of Japan. They just give it out to the various textile industries of Japan. And General MacArthur steps in when it is sold in Burma or any other place, and he collects the money. Then he remits it back to the Treasury Department, and that goes to the credit of the revolving fund.

Colonel BALDWIN. That is correct. The Japanes would never have control of the proceeds of sale of any of these textiles.

Mr. VINSON. That is right.

Colonel BALDWIN. That is all recaptured.

Mr. TOWE. Would it be possible under this legislation for the Army to purchase India cotton, for instance?

Colonel BALDWIN. It would not; not with these funds.

Mr. TOWE. All the raw material would have to be purchased in this country?

Colonel BALDWIN. All of the raw material—the natural fibers.

Now, it would be possible to purchase roller leather or machine parts or starch or some of the other items essential in the processing of those textiles, but the natural fibers—the raw materials—would be from the United States; that is correct.

Mr. TOWE. Where did Japan get its cotton before the war?

Colonel BALDWIN. From India, Egypt, small quantities from South America——

Mr. VINSON. But the bulk of it came from the United States?

Colonel BALDWIN. The bulk of it came from the United States. I do not remember the exact percentage, but it was roughly under one-half.

Mr. BROOKS. Japan was our largest customer, and Germany was next, for years preceding the war. The third was England.

Mr. VINSON. That is right.

Mr. VAN ZANDT. Mr. Chairman.

Mr. TOWE. Yes.

Mr. VAN ZANDT. Has the Colonel been to Japan?

Colonel BALDWIN. I have not; no, sir.

Mr. VINSON. What is the number of people engaged in the textile industry in Japan?

Colonel BALDWIN. I frankly do not know. I can get these figures for you, but I just do not have them.

Mr. VINSON. Put them in the record. And put in the record how much of the raw material that was furnished by the Commodity Credit Corporation still remains unprocessed and if a bill of this character was not enacted how soon the industry would be out of material to process and therefore bring about a complete stagnation of the textile industry of Japan.

Colonel BALDWIN. I believe Mr. Draper covered that in his statement on Monday, sir, as to the availability of supplies, in which he indicated that if cotton was not gotten immediately they would have to close down operations or very drastically curtail them by around July.

Mr. VINSON. Then that would mean that the occupational forces would just have that much more responsibility in taking care of those people?

Colonel BALDWIN. It would mean that there would be that much additional unemployment.

Mr. VINSON. That is right.

Mr. BROOKS. And a heavier cost for the occupation, too.

Colonel BALDWIN. To a degree, yes.

Mr. VINSON. If the people cannot be self-supporting, why, then, the occupation force has to step in and feed them, has it not?

Colonel BALDWIN. That is correct.

Mr. VINSON. Or are we going to let them starve to death?

Colonel BALDWIN. We have not let any of them starve yet.

Mr. VINSON. Yes. Naturally, we will feed them. So if we can get them to go to work and earn something and take care of themselves, it is far better than the people in the United States being taxed to do so; is it not?

Colonel BALDWIN. That is correct.

Mr. VINSON. That is the objective of the bill, to rehabilitate the industries of Japan and Korea.

Colonel BALDWIN. That is correct.

Mr. VINSON. Put in the record something about the textile industry in Korea: How many spindles they have, how many people they have in the industry, how much the Commodity Credit Corporation sends over there, and how long it will be before they will go out of business—because if you do not do something to keep people working we are liable to have communism all over the world.

(The information requested for the record is as follows:)

*Textile industry in the occupied areas*

| | Japan [1] | United States-United Kingdom zone, Germany | Korea |
|---|---|---|---|
| Laborers in entire textile industry | 493,377 | 184,464 | 36,269 |
| Laborers in cotton textile industry | 203,461 | [2] | [3] |
| Cotton textile spindles available | 3,000,000 | 3,900,000 | [4] 300,000 |
| Cotton textile spindles operating | 2,000,000 | [5] 1,477,000 | [4] 240,000 |
| Stocks of unprocessed CCC cotton (bales) | [6] 262,567 | [6] 2,000 | [7] |

[1] Data are best estimates as of May 1.
[2] Cotton textile worker data not differentiated in British zone, hence not available.
[3] Detailed data are not available for cotton textile industry although almost all labor is in the cotton textile industry.
[4] Data are estimated as of end of 1947. Spindles shown as "operating" are operable but not necessarily actually operating.
[5] Number of spindles in operating condition but not necessarily actually operating.
[6] Exclusive of cotton from which claims are pending. Additional cotton is on hand from non-CCC shipments.
[7] No CCC cotton has been shipped to Korea on a "credit" basis. All United States cotton shipped to Korea has been from appropriated funds for internal consumption.

Mr. BISHOP. Colonel, if this bill is passed and some manufacturer in this country wanted to have some of that merchandise, would he be permitted to buy it at the same price that you are going to sell it for over there?

Colonel BALDWIN. He would. In fact, there is no restriction on who may buy.

Mr. BISHOP. You are the judge as to who you will sell it to?

Colonel BALDWIN. Pardon?

Mr. BISHOP. The Army will be the judge as to who they will sell it to?

Colonel BALDWIN. We will sell it to anybody who wants to buy.

Mr. BISHOP. I still say the Army will be the judge of who they sell it to?

Colonel BALDWIN. I do not quite follow your question. The Army would be the judge of who they would sell to?

Mr. BISHOP. That is right.

Colonel BALDWIN. Definitely not.

Mr. BISHOP. Who would be?

Colonel BALDWIN. The sales would be made——

Mr. VINSON. By the industry.

Colonel BALDWIN. By the industry over there, and the contracts would be——

Mr. BISHOP. I am talking about before the industry gets it. They have to get it over there first before they can get control of it. But you are handling the sales of it over here.

Colonel BALDWIN. No, sir.

Mr. TOWE. You are talking about the raw material, are you not?

Mr. BISHOP. Yes.

Mr. TOWE. He is talking about the raw material.

Colonel BALDWIN. I am sorry; I thought you were talking about the finished products.

Mr. BISHOP. No.

Colonel BALDWIN. The raw material here, if bought from Commodity Credit, of course, is handled automatically. If bought from private channels, the cotton specifically, it would be bought on a competitive-bid basis.

Mr. BISHOP. If it was turned over to you, you would not have anything to do with the distribution in this country. All you would have to do with it is that which goes overseas; is that right?

Colonel BALDWIN. The procurement would probably be made from Tokyo. We would have no part here in the actual procurement or determining who sold it or where it came from. It would all be handled from Tokyo—I say it all would; that is the way we are planning on setting it up. The Army would merely maintain a guiding supervision over the over-all activities to assure that the funds were recaptured and payment to the revolving fund was made.

Mr. BISHOP. All right. What I am trying to bring out is this: When this material—suppose there is 100,000 tons—is turned over to you—let us assume there had been a bid from some local manufacturer—would you be permitted to sell some part to him?

Mr. TOWE. I think we ought to get this straightened out. You are not going to buy either cotton, wool, or anything else, unless you have some need for it abroad; is that not correct?

Colonel BALDWIN. That is correct.

Mr. TOWE. And under this bill the War Department is not going to control the stocks of either cotton, wool, or anything else in this country?

Colonel BALDWIN. That is correct.

Mr. TOWE. Other than what you have purchased for use abroad, under this bill?

Colonel BALDWIN. Anything that we buy would be bought against the stated requirement of the industry in Japan, and we would see that they got only such grades and qualities, in specified quantities, as they had specifically requested.

Mr. Bishop. Well, that explains the point I was trying to bring out. The Army is definitely in business, in the textile business. The Government is in business.

Colonel Baldwin. To the extent that we have occupational responsibilities in the occupied areas, we are.

Mr. Bishop. That is right. That is what I wanted to bring out.

Mr. Towe. Senator, do you want to add something?

Senator Eastland. I just wanted to explain the way it would be merchandised. The textile industry of this country has named the man who will handle the sale of all textiles produced under this program. They selected one of the greatest textile salesmen of the country and loaned him to the Army. He is going to direct it.

Now, it is the policy, in operating that industry—of course, the Army operates the entire economy of Japan—to produce goods that have no market here, but which have markets in the Far East. And then Mr. Williams, who was the sales manager for the Cannon Mills, will control the policies as to where it is sold. It is not the policy to sell those goods here, because they are the kind of goods for which there is no market in this country, but the type that they would sell in the Far East.

Mr. Towe. I think we can be fairly certain that he would not want the goods brought back in this country.

Senator Eastland. Of course, he was put there and the system was set up to protect the textile industry of this country. They named the man and set up that system for that purpose.

Mr. Bishop. Let me bring out a point there, Mr. Chairman.

Mr. Towe. Yes, Mr. Bishop.

Mr. Bishop. Definitely one of these days, which you and I hope to see, we will terminate the military occupation of Japan. Now, when that is done, suppose a certain amount of surplus materials has gone there and they manufacture them into finished articles which will keep indefinitely. Do you mean to tell me that they will not find their way back over here?

Senator Eastland. The people of Japan are undernourished and the products over there will be sold just as fast as they can after being produced, and those profits which have been running to the tune of $10,000,000 a month will buy things to eat, so that our costs of occupation will be reduced. There certainly should not be any surplus of textiles, with the world naked and when we have to trade textiles in order to get copra and fats harvested in eastern Asia.

Mr. Vinson. And if it did find its way back here at the end of the occupation, it would have to be under conditions of import, as any other article has to be.

Senator Eastland. The whole thing is just so small.

Mr. Vinson. Certainly.

Senator Eastland. You have just a little over 1,000,000 spindles over there as against 12,000,000 before the war. They were mleted down to make bullets. The Army hopes to get it ba ckup to 4,000,000 spindles, but that is something that is years off. If they had their whole production for a year, it would not be a drop in the bucket in this country.

Mr. Towe. If these raw materials could be purchased much cheaper in India, for instance, why is not the suggestion made that it be done that way?

Senator EASTLAND. India is furnishing now about half the cotton. You see, they want to get the Japanese on the goods that they made before the war—the type of goods—because that keeps them out of this country's market and out of the British market. So Japan has historically mixed India cotton, which is a very short staple cotton, with our cotton.

Now, we take the position that if India wants to supply it, that is well and good, but that she should furnish her own credit arrangement instead of looking for a free ride from this country.

Now, they tried in every way they could to get this country to finance it, and when the foot was put down they made their own credit arrangements, and they are furnishing about 40 percent of the cotton—350,000 bales; is that correct?

Colonel BALDWIN. At the present time there have been about 150,000 bales secured from India.

Senator EASTLAND. But 350,000 was the credit.

Colonel BALDWIN. There is additional cotton that they are trying to get from India, but at the present time India has embargoed the export of all cotton in excess of three-quarters of an inch length. It is just impossible to get any of it.

Mr. BISHOP. Mr. Chairman, I have a question there——

Mr. TOWE. Just a second. I want to ask one question.

Would this program relieve the Government, our Government, of, perhaps, some of its responsibility in connection with the support program?

Colonel BALDWIN. That I could not answer, sir.

Mr. TOWE. Do you know, Senator?

Senator EASTLAND. Of course, if you get rid of the surplus in this country you keep it out of the loan. It would relieve the Government, in wool, of about $160,000,000 worth that they have now.

Mr. TOWE. Mr. Bishop.

Mr. BISHOP. If we withdraw our military from Japan, then immediately you are out of the picture, are you not, and this goes into the regular channels of commerce?

Colonel BALDWIN. I might give you just a little picture of how this thing would operate, with the idea of giving some background to answer the question which you raise. It will take just a few words. I think it would clear the point which you raise.

When raw material is shipped into Japan, it is shipped in against a definite specified industrial requirement. It is shipped from the source which is supplying it, and title is taken by the Japanese at the time it is unloaded by the Japanese organization, Boeki Cho. It is distributed to the Japanese industry, to those areas and to those industries which specified it in their statement of requirements. It is paid for as a raw material import from whatever source the funds may be available. In the case of this particular fund the seller would be paid in dollars against negotiable papers probably at the time it was put on board ship. The title to the material would pass at that time from the seller to the Japanese but would be, in effect, held in trust by the foreign trade commission of SCAP's headquarters pending the time when the processed goods were available for resale. The raw material would be processed into finished commodities and made available for export to any and all buyers. The sales contract for the finished commodities would be drawn up between the individual

buyer and Boeki Cho, the Japanese agency, with payment to be specified in dollars, or other acceptable currency; the contract, however, would have to be validated or approved by SCAP's headquarters.

When those commodities are made available for sale and/or sold, the foreign exchange accruing is captured by SCAP's headquarters and put into a special account. It is not turned over to the Japanese. Boeki Cho has available funds in yen with which it pay the manufacturer for the manufactured commodity. Those yen are partly appropriated by the Japanese Government, partly available from the sale of commodities imported for consumer need. In the event of a termination of occupation, a very sizable pipe line of commodities would, of course, be flowing into production. Those commodities would continue, undoubtedly, to be processed and later made available for sale. They would either be made available for sale against the contracts then in existence, with treaty arrangements made to recapture the amount of those dollars represented by sales contracts, or the peace treaty would be so worded so as to permit the full recovery of all of the raw materials which were in the pipe line into Japan either by a recapture of the export sales, or by a payment from other funds which Japan had accumulated through the sale of commodities indigenous to the country, so that the entire cost would be liquidated.

Now, there is a proviso in the bill that if there were commodities that, due to market changes or other reasons, could not be sold for the cost of the raw material, the Secretary of the Army would be authorized to sell them for whatever could be gotten for them. However, a good and judicious handling of these funds would limit that kind of a risk to almost zero because the commodities would be sold as fast as they were produced and the foreign exchange captured. No inventories would be built up if it were possible to avert it, and it would be possible—or else other precautions would be taken to effectively eliminate the possibility of loss. It is not 100 percent certain that that possibility could be eliminated and that provision has been inserted in the bill so that if at the time of termination of occupation there were any stocks remaining unsold, they could be disposed of at the discretion of the Secretary. But every effort would be made to recover the cost of the raw materials.

Mr. Bishop. That is the natural business trend?

Colonel Baldwin. That is right.

Mr. Towe. I think that is all, Colonel.

Mr. Jones.

## STATEMENT BY J. M. JONES, SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH

Mr. Jones. Mr. Chairman and members of the committee: My name is J. M. Jones; I am secretary of the National Wool Growers Association with headquarters in Salt Lake City. I appear this morning in support of S. 2376 and concur in the statements made by Under Secretary Dodd and Congressman Pace. We think it is good business to handle our surplus raw materials in the manner in which this bill would handle them.

And in further answer to your question as to the relief of the price-support program, we think that this would relieve the Government

of its obligation there, of the price-support program, particularly in connection with the wool stocks now on hand in the Commodity Credit Corporation.

I think that is about all I have to say. We think it is good business.

Mr. Towe. Where would most of the wool be going from here?

Mr. Jones. I am not too familiar with that, but I would judge it would probably go to Japan in this particular instance. You see, we never, as a usual thing, export any wool from this country that is produced in this country but we now have stocks on hand which have been accumulated since 1943. As you can well imagine, those stocks are not of the best kind and condition. They should be disposed of. And they are of a grade and quality that is not in demand in this country, as has been explained by Senator Eastland here, and we think that the consumers are fully protected under the bill by the reservation that the Secretary will determine type, quality, and amount to be disposed of.

Mr. Towe. The reason I ask, I thought you might be able to tell us whether Japan or Germany would be more interested in the processing of wool.

Mr. Jones. My answer would be Japan at this point.

Mr. Vinson. Under this bill it is only that wool which is in excess and for which there is no market in this country that can be exported?

Mr. Jones. That is correct, Congressman Vinson.

Mr. Vinson. Therefore, the export of the wool authorized by this bill will not have any effect upon the wool industry in this country?

Mr. Jones. We cannot see where it would.

Mr. Vinson. Because all of the wool that would be exported is wool for which there is no demand and no market for here?

Mr. Jones. That is correct.

Mr. Towe. Are there any other questions?

Mr. Bishop. You have some of the finest mills in the world out in Utah. I have in mind the International Knitting Mills. I am wondering if they are running at full capacity, and if there is any way they might use some of this product?

Mr. Jones. Congressman Bishop, they are running at full capacity out there. These wools of which we speak are available to them at a price below the price paid the producer for them, and the demand for this type of wool just is not here, that is all, at the present time.

Mr. Bishop. Do you have any mohair manufacturers in that area?

Mr. Jones. No, sir; we do not. And our mills in the West are quite small at the present time. We manufacture no mohair products, to my knowledge.

Mr. Bishop. You have a great number of goats in that country, which would be necessary, of course, to produce mohair. I am wondering if that would not be a fertile territory for a large mohair manufacturer?

Mr. Jones. We think so, sir.

Mr. Vinson. What is the surplus amount of wool on hand now?

Mr. Jones. Of the type of wool that possibly might go out, I would roughly say about 250,000,000 pounds.

Mr. Vinson. That is owned by the Commodity Credit Corporation?

Mr. Jones. Yes, sir.

Mr. Vinson. They have invested Government money, taxpayers' money, in all that?

Mr. Jones. That is correct.

Mr. VINSON. And this gives opportunity to sell it abroad and reimburse the country for the investment?

Mr. JONES. That is correct.

Mr. VINSON. Otherwise it is still stored in our warehouses here?

Mr. JONES. And deteriorating and should be moved. Some of it has been there since 1943, the beginning of this program. It really should be moved.

Mr. TOWE. That is all.

Mr. BISHOP. In other words, the Government has their money invested and they are trying to get some portion of it out?

Mr. JONES. That is correct.

Mr. TOWE. That is all.

Mr. JONES. Thank you.

Mr. VINSON. Are there any amendments from the Departments to this bill, Mr. Chairman?

Mr. TOWE. Is there anyone here from the State Department who wants to testify this morning?

Apparently not.

Colonel BALDWIN. There is one point, sir, Mr. Chairman, that may not be clear that I might clarify for you.

On Monday Mr. Anderson asked that three amendments proposed by Mr. Draper be coordinated with the State Department and with the Department of Agriculture, and that we come in with a coordinated position on that. I didn't elaborate on this earlier because I had forgotten you were not here Monday, and I thought you were familiar with it.

We got together with representatives of State, Agriculture, Bureau of the Budget, and I have a letter from Mr. Draper to the chairman of the subcommittee setting forth the coordinated position on those amendments, the one that the three departments are in agreement on and the amendments that have been informally cleared with the Bureau of the Budget.

Mr. TOWE. Would you insert those in the record.

Colonel BALDWIN. I will be glad to do so, sir. Very briefly, the Army has withdrawn its amendments (a) and (b) in Mr. Draper's statement, and on the basis of a firm understanding with Agriculture that any of the commodities turned over would be at the competitive world prices.

I will insert the letter in the record. There is no point in taking more time on it.

Mr. TOWE. Very well.

(The letter referred to is as follows:)

Hon. JACK Z. ANDERSON,
*Chairman, Subcommittee on Armed Services,*
*House of Representatives.*

DEAR MR. ANDERSON: Reference is made to S. 2376 and to your request of May 10, 1948, that the Departments of Army, State, and Agriculture coordinate and recommend such agreed-to amendments to the above bill as the three Departments might jointly deem desirable and in which the Bureau of the Budget has concurred. I am pleased to report to you that coordination of the proposed amendments has been secured and to advise you of the unified position of the three Departments on those amendments.

The principal difficulty to be overcome has been that of relaxing the pricing and exclusive sales outlet features which were incorporated in the amendment previously proposed by the Senate Committee on Agriculture and Forestry. I recommended the deletion of that amendment in my testimony on May 10 on

the basis that it is the belief of the Departments of State and Army that the amendment, as proposed, was discriminatory against the occupied areas. It essentially would have precluded any purchase by the Army of wool and mohair from the United States due to the fact that superimposed upon the world price of those commodities was the United States tariff on wool. The occupied areas' economies were in fact being saddled with the wool tariff of the United States.

As a result of conferences with representatives of the interested Departments, the following position has been arrived at as one satisfactory to all concerned:

(*a*) The Department of the Army withdraws its proposed Amendments (a) and (b) upon the basis of a firm understanding with the Secretary of Agriculture thet the Commodity Credit Corporation will make available to the Department of the Army any wool, mohair, or flax, available for export from the United States under the authority of this act, at competitive world prices. Any differences in price between competitive world prices and the internal United States prices for comparable grades and qualities will be absorbed by the Commodity Credit Corporation and not be reflected as a cost to the occupied areas. It is understood that Mr. Dodd will testify to that effect before your committee.

(*b*) In section 5, line 3, page 4, after "such area" insert the words "or in the event of the termination of the occupation of such area by the United States." This insertion is considered desirable by the Secretary of the Army in order that he be empowered to treat any materials purchased for Korea from the fund and unprocessed and unsold at the termination of occupation of that country, in the same manner as is provided for in the other areas should a peace treaty come into effect.

(*c*) Amendment (c) at the end of section 7 is agreed to by the Departments concerned and has been cleared by the Bureau of the Budget.

In view of the above coordination of the proposed amendments and the basis upon which the Army has withdrawn amendments (a) and (b) recommended in my testimony, it is requested that your committee formally approve the coordinated position of the three Departments including the price adjustments proposed by the Secretary of Agriculture.

Sincerely yours,

WILLIAM H. DRAPER, Jr.,
*Under Secretary of the Army.*

Mr. TOWE. We will adjourn until next Wednesday at 10 o'clock.

Mr. VINSON. At which time we will try to act on the bill, Mr. Chairman?

Mr. TOWE. Yes, sir.

(Whereupon, at 11:45 a. m., the subcommittee adjourned.)

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# DIGEST OF CONGRESSIONAL PROCEEDINGS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

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For actions of May 10, 1948
80th-2nd, No. 83

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HIGHLIGHTS: House debated Government corporations appropriation bill. House committee reported selective-service bill. House received appropriation estimate for foreign aid.

## HOUSE

1. GOVERNMENT CORPORATIONS APPROPRIATION BILL, 1949. Began and concluded general debate on this bill, H. R. 6481 (H. Rept. 1880)(pp. 5657-89, 5692). Attached is a table containing a summary comparison of the Committee actions with the 1948 appropriations and authorizations, and with the Budget estimates for 1949, regarding USDA items.

Committee actions of special significance to the Department include: (1) Provision limiting to $500,000,000 (Budget estimate, $1,000,000,000) the amount of bonds the Federal Farm Mortgage Corporation may issue and have outstanding at any one time; (2) provision that, prior to June 30, 1949, not less than $63,000,000 (same as Budget estimate) and all additional cash funds of the Federal Farm Mortgage Corporation in excess of operating requirements for fiscal year 1949 shall be declared as dividends and paid into the general fund of the Treasury; (3) provision that the Production Credit Corporations shall return Government capital aggregating not less than $60,000,000 to the surplus fund of the Treasury and that the Governor of FCA cancel the capital stock of the corporations in par value amount equal thereto; (4) provision that, for the fiscal year 1949, the revolving fund in the Treasury, created by Sec. 84 of the Act of June 16, 1933, for investment in any regional agricultural credit corporation shall be limited to $25,000,000, a decrease of $19,400,000; (5) provision that upon enactment of the bill the salaries of the FCA Governor and the HHFAdministrator shall be at $12,000 per annum; and (6) elimination from the bill of all provisions for payment of penalty mail costs. The bill also contains a new proviso prohibiting payments to employees who belong to unions the officers of which have not filed non-communist affidavits.

The bill also includes funds for Tennessee Valley Authority, Housing and Home Finance Agency, Export-Import Bank, Reconstruction Finance Corporation, and Institute of Inter-American Affairs.

Most of the debate related to TVA, particularly the question as to whether this agency should be permitted to construct steam plants. There was also some discussion of FCA agencies.

2. RECONSTRUCTION FINANCE CORPORATION. House conferees were appointed on S. 2287, to continue RFC (p. 5649). Senate conferees were appointed May 6.

3. SELECTIVE SERVICE. The Armed Services Committee reported with amendment H. R. 6401, the selective-service bill (H. Rept. 1881)(p. 5692).

Rep. Scrivner, Kans., inserted and discussed a proposed amendment providing for review of the regulations, under the bill, by the Armed Services Committees; and he referred to the "fact that it was necessary" to enact the Tydings amendment under the previous system, to provide for deferment of farm laborers (pp. 5650-1).

4. APPROPRIATIONS; FOREIGN AID. Received from the President supplemental appropriation estimates of $818,000,000, for the fiscal years 1948 and 1949, for foreign-relief assistance (H. Doc. 639); to Appropriations Committee (p. 5692).

5. APPROPRIATIONS; RECLAMATION. Received from the President a supplemental appropriation estimate of $1,000,000, fiscal year 1949, for the Bureau of Reclamation (H. Doc. 640); to Appropriations Committee (p. 5692).

6. RESEARCH; INVENTIONS. Received from the Justice Department a proposed bill to provide for adjustment of royalties and like charges for the use of inventions for the benefit of or by the U. S.; to Judiciary Committee (p. 5692).

7. AUDIT REPORT was received on Export-Import Bank operations (H. Doc. 641); to Expenditures in the Executive Departments Committee (p. 5692).

8. PUBLIC WORKS. The House Administration Committee reported with amendment H. Res. 532, providing funds for the investigation, by the Public Works Committee, of conspiratorial or other questionable practices which interfere with public works (H. Rept. 1882)(p. 5692).

9. FOREIGN AID. Rep. Bryson, S. C., spoke in support of S. 2376, to provide for purchase of agricultural commodities to be processed in occupied areas and sold, with particular reference to cotton (pp. 5689-92).

10. BUTTER; NUTRITION. Rep. Smith, Wis., quoted from the Yearbook of Agriculture, "Food and Life," regarding the importance of Vitamin A, and said, "Eat more butter..." (p. 5650).

11. CLINTON P. ANDERSON. Rep. Pace, Ga., commended the work of Mr. Anderson (p. 5652).

## SENATE

12. LANDS; WILDLIFE. Passed without amendment H.R. 4018, authorizing the transfer to the States or the Interior Department of surplus Federal real property, chiefly valuable for the conservation of wildlife (p. 5613). This bill will now be sent to the President.

Passed without amendment H.R. 107, for the acquisition and maintenance of

sisting of approximately seven States is affected by this great national development. We cannot, as a Congress, allow this great number of citizens to be deprived of the necessary power to run their industries, operate their factories, furnish power for their municipalities, for their farm organizations, nor should the people be denied the necessary amount of electric power to supply light and power in every rural home. Since the TVA is situated in the general area where the TVA operates, then there is no other source of electric power, and it is up to the Congress to appropriate the necessary money to build and develop power facilities, which will guarantee a constant flow of power to meet the needs of the people in question.

We are not dealing with a local problem, but it is one of national concern to everybody throughout this Republic. The Congress recently appropriated the necessary funds to create a 70-group Air Force. We are living in a day and time when the maintenance of a large Air Force which can be supreme in the air is the best guarantee to our national security and proper defense. Electric power is necessary to build up a strong Air Force. We must not forget that in this general area we have the atomic-bomb plant at Oak Ridge, together with the aluminum plant at Alcoa, Holston Ordnance, and Tennessee Eastman at Kingsport, as well as the North American Rayon and Bemberg corporations at Elizabethton, Tenn. All of these industries played a vital part in the production of war material during World War II. We must not allow our supply of power to be depleted, and then at some future date find ourselves in need of a source of electric power, which we may not have if we do not take the necessary precautions now to produce power.

The national defense of this country is not a sectional problem. It is true that some sections of America have more industries and more taxable property, and because of their ability and prosperity there naturally falls a heavier burden of taxation upon these people, but this Republic must be maintained and saved, and must be built strong and powerful. In time of danger men and women from Alabama, Kentucky, Tennessee, North Carolina, and other States fall in line alongside with the people from New York, Connecticut, Illinois, Massachusetts, California, and Texas, as well as every State in the Union, to answer the call of our country, and rush to the defense of this Republic. There is no private utility in this great area that can give to the people the necessary power, and it is my conviction that it is the responsibility of Congress to see that in the interest of the national well-being, that there is not a ceiling placed upon the progress and advancement of this great area in America.

(Mr. PHILLIPS of Tennessee, Mr. GORE, and Mr. MAHON asked and were given permission to revise and extend their remarks.)

Mr. MAHON. Mr. Chairman, I ask unanimous consent that all Members who have spoken on the bill this afternoon may have permission to revise and extend their remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MAHON. Mr. Chairman, I yield 15 minutes to the gentleman from Mississippi [Mr. RANKIN].

(Mr. RANKIN asked and was given permission to revise and extend his remarks.)

[Mr. RANKIN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. PLOESER. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read the bill down to and including line 6 on page 1.

Mr. PLOESER. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. GRANT of Indiana, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 6481) making appropriations for Government corporations and certain independent agencies for the fiscal year ending June 30, 1949, and for other purposes, had come to no resolution thereon.

## EXTENSION OF REMARKS

Mr. ARNOLD (at the request of Mr. PLOESER) was given permission to extend his remarks in the RECORD and include a magazine article.

Mr. JENNINGS asked and was given permission to include in his remarks made in Committee of the Whole certain excerpts from statutes and decisions of the Supreme Court.

Mr. McCORMACK at the request of Mr. PRIEST) was given permission to extend his remarks in the RECORD in two instances and include in one an editorial from the Boston Herald and in the other the text of the President's address to the National Conference on Family Life.

## CORRECTION OF ROLL CALL

Mr. SCHWABE of Missouri. Mr. Speaker, on roll call No. 57 today, I am recorded as not having voted. I was present, Mr. Speaker, and voted "aye," and ask unanimous consent that the roll call be corrected accordingly.

The SPEAKER. Without objection, the RECORD and Journal will be corrected accordingly.

There was no objection.

## LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. LANE (at the request of Mr. GORE), for May 10, 11, 12, and 13, on account of illness.

## SPECIAL ORDER

The SPEAKER. Under previous order of the House, the gentleman from South Carolina [Mr. BRYSON] is recognized for 30 minutes.

## AMERICAN COTTON AND THE ACHIEVEMENT OF THE PEACE

Mr. BRYSON. Mr. Speaker, today the House Committee on Armed Serices begins hearings on S. 2376 which provides a revolving fund for a revival of textiles in Japan.

I respectfully call attention to this important measure, now passed the Senate, and urge its speedy adoption by the House.

The meaning of cotton is known well by my constituents and their neighbors in the South, but to far too many people, including many of our national leaders responsible for the well-being of our Nation, the true meaning of cotton is unknown. In the least, for them it is another of those God-given essentials accepted without thought and with indifference.

Unlike those of us who have grown up among cotton, who have worked with it, and whose whole way of life is based upon it, those who see it in the indifferent light cannot comprehend its importance.

True, they wear it, sleep in it, and on it, and even eat many products derived from it. The tires which enable their automobiles to ride smoothly contain cotton fiber, and the stuffed chairs they sit in in comfort are made comfortable by cotton. Great public buildings and great public benefits are paid for fully or in part by taxes growing out of income from growing and sale of cotton, and from the production and sale of textiles.

Cotton is one of the great bases of our national economy. It means comfort and warmth. It means livelihood for millions. All this, and so many never give it a thought.

Take cotton away, and they will think about it. They will think about it, and cry over their great loss. But we cannot take cotton away simply to wake up a Nation to its importance. To be without it would be tragedy. However, we can point out its importance, and point a strong finger to those circumstances and individual acts which tend to take cotton away.

Any individual or any action which will hurt the American cotton industry and those millions whose very way of life is dependent upon it is, in a strong sense, taking cotton away.

Today, as we are attempting to unscramble the mess we call our world—a mess made by the teutonic and oriental aggressors—on the horizon of time appears a menace to American cotton, revival of the Japanese textile industry.

It is a truth that we must restore Japan economically in order to obviate the costly burden we now carry in supporting that nation. It is also true that such restoration of that nation is essential to the peace of the world. However, it is not a truth that we must do all that to the detriment of our own Nation and of our own people.

I cannot at the moment think of a better nor a more effective method of stating the problem than by restating the comments made in the other body when S. 2376 was being debated:

At the outset the Japanese volume may be relatively insignificant, but when we let

down the bars and establish a precedent there is no telling how fast it will grow. Furthermore, Mr. President, if the Japanese demonstrate that they can find American dollars here at the expense of the American market, it will encourage every other impoverished nation in the world to do likewise, and we shall soon reduce our domestic market to a veritable hodge-podge of foreign merchandising throat cutting which will demoralize the nearest, biggest, and best market the American farmer has for his cotton, and the result will be a steady elimination of thousands of jobs of our American textile workers.

Quite often, when the protection of the well-being of our cotton and textile production and markets is being discussed, and ways of devising such protection are put forth, one hears comments about the cotton bloc, the southern bloc, or the special interests, and many other such erroneous labels applied to the champions of cotton.

It is not a question of the cotton bloc wanting, or a case of the special interests wanting. It is not a regional problem, either. It is a national problem in which every man, woman, and child in the United States, whether from South Carolina or Oregon, from Georgia or Maine, has a definite interest. Ruin the prosperity of cotton and you ruin the prosperity of our Nation. Throw thousands of cotton and textile workers out of employment and you throw millions of other Americans out of work and precipitate another depression.

All I am doing here today is calling for foresight and early planning to protect our national economy. It is not hard to realize that if we permit the Japanese textile industry to invade our markets and undersell us in competition, that many more than the farmers growing cotton and the workers producing textiles will suffer. The garment worker in New York will lose his job. Those people engaged in selling and transporting textiles will have to close shop; and the millions of people who sell services and luxuries—the laundrymen, bakers, cab drivers, theater people by the hundreds of thousands—will lose out simply because the unemployed cannot afford a fine standard of living which permits luxuries and services.

No; I repeat, it is not a regional problem. It is not simply the problem of the cotton and textile workers and producers. It is every American's problem.

I have been told I am speaking too early in the game, and I decry that thought. Our worst national characteristic is indifference—refusing to recognize the handwriting on the wall—always doing too little too late. Now, and I mean right now, is the time we should take care of this grave matter. Not 5, 10, or 20 years from now when it ceases to be a national problem and develops into an international catastrophe.

Recently I took part in a discussion on the matter of restoration of Japan's industries and listened to an individual brimming with good will for our enemy. The war was over, he stated, and what was done was done. It was not their fault, really. Circumstance, you know. And now what we should do was make things easy as possible for them to restore their economy, become prosperous, and maybe they would forget the scars our bombs left.

The gentleman who had come to love the Japanese so well took ardent exception to the idea of protecting American markets from invasion by a restored former enemy. He claimed that such thinking was placing selfishness against humanitarianism and consequently was laying the foundation for future conflict.

I disagree completely with such philosophy. It is weak at the seams; the argument will not hold water.

The concept of laying protective ground work now in controlling the reestablishment of the Japanese textile trade is not selfishness versus humanitarianism. It is the application of practical humanitarianism. What is proposed is to restore the Japanese textile industry to alleviate us of the burden of paying the way of our former enemy, but doing it in a manner that will not provide detriment to our own national economy.

Japan should be provided with access to the natural Japanese markets—China, Siam, India, Indochina, Formosa, and others, but should not be permitted to compete with and undersell the American producers in American markets.

I know that to the uninformed this might sound monopolistic, greedy, dictatorial, and unfair. However, it is Japan who has the unfair advantage in the long run, and could successfully beat the American producers in competition, hands down.

The American textile worker's base wage is a dollar or better an hour. The Japanese worker will accept a small fraction of that amount. Consequently, in cost of labor alone the Jap is provided the means of underselling the American.

Coming from the largest textile district in the world and representing cotton-growing and textile-producing constituents, I know they will not accept a reduction in their graceful way of life simply because of fallacious theories concerning this vital matter. They are practical people. I know. I worked in the cotton mills of my district for many years, and I know the textile worker and his family to be as strong as the strongest fibers they produce. They are good Americans. They work hard all their lives, and are proud of the essentials and luxuries they produce. They are proud of their contribution to the good way of life and our high standard of living. They want that standard even higher, better, and more comfortable. They will not be undersold, and they will not condone in their leaders lack of foresight and protective planning. As I said before, they are practical people.

As their Representative and as one of them, by inclination, interest, and duty, and in behalf of each and every one of them—whether cotton-growing farmer, spinner or weaver, investor or owner—I am forced to state that I do not believe our officials who are charged with the responsibility of restoring Japan are aware of the gravity of the textile situation. I agree with the statement made in the other body that—

> Probably the principal reasons for the failure of our governmental agencies to exhaust the normal market resources in the Orient are the inability of any army to convert itself into a skilled, expert merchandising organization; the tendency of a Government department, inexperienced in selling, to seek the easy, simple method of allocating goods to countries rather than selling them to private interests which operate professionally in the field; and possibly the attitude of our allies who have interests in the oriental markets, and who may be reluctant to cooperate with us in the rehabilitation of Japanese industry, which we as lovers of democracy know is absolutely necessary for peace and security of the world.

No; I do not believe those people have either the experience or the capacity to permit the good, protective job to be done. It is heartening to observe the activity of two of my constituents, Dr. William P. Jacobs, president of the American Cotton Manufacturers Association, and Mr. Fred Symmes of my home city Greenville, S. C., who along with Mr. Donald Comer, of Alabama, in their mission to Japan, studied the Japanese textile industry and the problems involved in its restoration. With a lifetime of experience behind them these three gentlemen are well equipped to deal with any phase of the textile problem.

It is even more heartening to read the report resulting from that mission, the recommendations of which if accepted and followed will go a long way toward restoring Japan and at the same time protecting the welfare of our Nation.

Dr. Jacobs' committee recommended a revolving fund from the United States Congress for working capital to purchase American cotton for export to Japan in order to provide them with the raw materials they need for their textile production.

That recommendation is contained in the bill S. 2376 now before Congress, providing a revolving fund of $150,000,000, and its early passage will enable the Japanese to sell their textiles in Oriental and colonial markets which have dried up because of the dollar shortages.

The members of the mission also recommended that General MacArthur add skilled textile salesmen to merchandise Japanese textiles under his direction and in cooperation of the Japanese Board of Trade, the Japanese Spinners Association and the leaders of the Japanese textile industry. Merchandising cotton goods requires resourcefulness, ingenuity, freedom of action and quick decisions, and these textile specialists should be given all the latitude possible in their operations. The American cotton textile industry will help out in this, nominating staff members for this merchandising effort.

American methods are what those people need to become self-sustaining, and our American textile people can show them how, and will be happy to do it. That is practical humanitarianism, not conversation.

I will go the mission one further with a recommendation of my own in this matter. I recommend that this Nation provide a "textile watchdog" to cover the planning and operations which go into the restoration of the Japanese textile industry and marketing.

We, who represent the people most directly concerned with cotton and textiles, must act as watchdogs, nationally. However, our job is so big, we cannot devote the concentration in the foreign field which is mandatory. It is a vast job simply in remaining informed on what is going on over there. We need men in the field not only to assist us in keeping abreast with what is happening, but we need them over there to prevent things from being initiated which must later be knocked down because of the fallacy in the thinking which inspired the initiation. Big oaks from little acorns grow. Likewise bad situations can result from crackpot ideas. We want to avoid such situations by guaranteeing as much as possible that foolish ideas concerning the Japanese textile trade do not grow into situations which will harm us in the years ahead.

Actually, there is no need for conflict to grow out of the current problem of restoration of Japanese textile production. Conflict will be the result of foolish action, now, whereas if thoughtful planning and action are undertaken in these days of restoration, both the Japanese and American industries will flourish along with those who provide them their materials.

Historically, the Japanese industry has largely confined its sales to the Orient in the past and to a few more distant markets where low priced and relatively inferior goods were desired. That historical trade should be resumed and encouraged and both Japan and the United States will profit by it.

The Jap industry will grow alive again and consequently will again be a paying customer for the American cotton grower. However, if short cuts are attempted; if there is an attempt to thrust low-priced, low-grade textiles into the American market, we will all suffer, and a harmful precedent will have been set. That must not happen, and it is the duty of the representatives of the people of the United States to see that it does not happen.

One recommendation of the mission that sales be delayed as far as possible until the European recovery program is under way. With the establishment of the Economic Cooperation Administration, that program is under way, and I feel certain it will offer goodly relief for the Japanese industry and economy.

As reported by the mission, since the European recovery program will increase the number of dollars available in certain European countries for rehabilitation, it is conceivable that some of these countries will directly or indirectly make some of the funds available for clothing of their colonies, and the funds will benefit the Japanese trade.

Another of the recommendations of the mission offers great possibilities not only for its intended purpose—assisting the recovery of the Japanese textile trade—but in several other ways very important to us in the United States.

Presently, our two most important international objectives are developing a lasting peace and remaining strong in the face of any would-be aggressor.

The mission's recommendations, if implemented, will help greatly in the achievement of these two objectives. The mission stated:

> In the past, Japanese salesmen have bought dollar cotton and sold their products into sterling areas successfully by bartering the three-cornered trading. They are asking for the opportunity of returning to the same type of operations today. It would result in profit to themselves and at the same time perform a definite service to American cotton farmers as well as producers of other types of raw materials in the Orient. We recommend, therefore, that the Japanese industry be rehabilitated by buying American cotton for dollars and obtaining the dollars by buying from the Orient and the colonies' raw products which are in short supply in the United States and selling them to the United States for dollars, such raw materials to include jute, tin, rubber, copra, tung oil, wood oil, reptile skins, and other items which are needed in the United States.

Remember that recommendation and apply it to the following information I will offer.

A great component of our national defense program in order to remain as strong as possible to thwart the intent of any aggressor in the future until world peace is achieved is our national stock pile of strategic and critical materials.

These are materials which are absolutely essential in conducting a war successfully. We do not have them in sufficient supply in our own country, and it is mandatory we import them within our borders in peacetime so we shall have them if ever again we are forced to combat an aggressor against world peace.

If we do not have them within our borders in peacetime, it will mean we will have to transport them over dangerous waters during wartime from sources anywhere from 3 to 10,000 miles—miles fraught with the submarine and air menaces, and at a terrific cost in life, money, and time. In war we always have too little time. Saving the time required in transporting these materials into the country now is good, common sense.

Furthermore, during war, bringing those materials in means building additional ships, which, of course, means diverting precious labor, steel, and other premium materials from other essential war projects.

The tin, rubber, and tung oil mentioned in the mission's recommendation are on the list of materials most vitally required in our national stock pile, and nearly every other material required in the stock pile has great sources within the Japanese sphere of trade. If the Japs barter their products for these materials and sell them in the United States for dollars for purchasing more cotton, they will help our national defense as well as become good customers for the American cotton grower. Such an operation makes sense.

The law which provides for our national stock pile prohibits using the stock pile as a subsidy method so it cannot be integrated into the suggested operation. However, one of the elements which is impeding the growth of our stock pile is the simple fact that the materials it requires are also essential in our peacetime, civilian production and economy. Most of the materials have been in short supply, and the stock-piling agency, the Munitions Board, does not compete with the civilian economy for goods which are in short civilian supply.

Because of this lack of availability of strategic and critical materials, our national stock pile is not as big as it should be, and is way out of balance. Making these vital materials available in excess of the quantities needed by our industries will help build our stock pile of strategic and critical materials immeasurably.

The idea of permitting the Japanese to barter their finished textile products in their own trade areas in return for critical raw materials which can be sold for dollars which, in turn, can be used in the purchase of the materials vital to her textile industry has vast possibilities, and everything should be done to make it possible, quickly.

The mission to Japan made up of good representatives of the American cotton and textile enterprises has made some excellent recommendations. These recommendations indicate strongly that the Japanese textile industry can be restored without detriment to our own economy, and they should be followed completely. If this type of thinking and planning is followed, we will avoid precipitation of unhappy events in the future.

As I said earlier, the people of my district—the people of the textile world—have a way of life they have worked hard and long to achieve. They will not accept detriment to that way of life without question. It is our sacred trust to maintain it and to better it.

The harmony they possess is illustrated in the way our textile industry is managed. It is a well run, smoothly efficient element of the national economy. Its labor problems are at a minimum. Its personnel have a good minimum wage, and its methods of production are the most modern and efficient in the world, barring none. Moreover, its products are the best in the world.

These are the elements we are proud of. These are also the elements of honest competition. Americans are not afraid to compete fairly. But they do not want to be undersold or to be forced into cut-throat competition.

To avoid such unhappy competition and threat to a happy mode of life, we must plan for the protective restoration of world trade, and avoid all the foolish theories the inexperienced attempt to sell us. We must be as alert as the good watchdog and, when necessary, bite the would-be invader—whether he be an invader armed with subversive propaganda, armed with a gun, or armed with low-grade and low-priced goods. Such invaders are equally dangerous and, oddly enough, too frequently run together or are synonymous.

I have shown the problem. I have mentioned some of the sensible solutions possible. And I have sounded the warning. All I ask of you here today is to heed that warning and do all you can to avert damage and provide well-being.

I must call on my colleagues in the House and Senate of the United States Congress and the members of the Administration to handle this problem with extreme care and sensibility. It is too important for casual treatment.

Our age is called the atomic age, the age of chain reaction. The problem of restoration of the Japanese industry is the first link in a chain of reaction. If good solutions are developed initially, the reaction will be for the good and well-being of everyone. It can go on bringing happiness, comfort, and prosperity to millions of people the world over.

If a bad solution is developed, the chain of reaction will be bitter and dangerous. It can precipitate an unhappy form of competition, throw people out of work and create depression, or worse. It could be one of the causes for war in the future.

Consequently, as a representative of the people of the biggest textile area in the world, I must call upon—no, I must demand of those responsible for handling the problem to handle it in the manner best in the interest of the American cotton and textile workers and producers. For what is in their best interest is in the best interest of everyone affected.

I sincerely hope that the House Committee on Armed Services will expedite the handling of this matter and will report it to the House as early as possible so as to insure its passage before the end of this session of Congress. I believe the passage of the measure is imperative.

### HOUR OF MEETING TOMORROW

Mr. PLOESER. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet at 11 o'clock tomorrow morning.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

### ADJOURNMENT

Mr. PLOESER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 36 minutes p. m.), under its previous order, the House adjourned to meet tomorrow, Tuesday, May 11, 1948, at 11 o'clock a. m.

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### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1531. A communication from the President of the United States, transmitting supplemental estimates of appropriation for the fiscal years 1948 and 1949 in the amount of $818,000,000 for foreign-relief assistance (H. Doc. No. 639): to the Committee on Appropriations and ordered to be printed.

1532. A letter from the assistant to the Attorney General, transmitting a draft of a proposed bill to provide for the adjustment of royalties and like charges for the use of inventions for the benefit of or by the United States, and for other purposes; to the Committee on the Judiciary.

1533. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the fiscal year 1949 in the amount of $1,000,000 for the Department of the Interior, Bureau of Reclamation (H. Doc. No. 640); to the Committee on Appropriations and ordered to be printed.

1534. A letter from the Comptroller General of the United States, transmitting a report on the audit of Export-Import Bank of Washington for the year ended June 30, 1947 (H. Doc. No. 641); to the Committee on Expenditures in the Executive Departments and ordered to be printed.

1535. A letter from the Secretary of the Army, transmitting a draft of a proposed bill authorizing the extension of functions and duties of Federal Prison Industries, Inc., to military disciplinary barracks; to the Committee on the Judiciary.

1536. A letter from the Acting Secretary of Commerce, transmitting the third quarterly report required under the Second Decontrol Act of 1947; to the Committee on the Judiciary.

1537. A letter from the President, Board of Commissioners, District of Columbia, transmitting a draft of a proposed bill to amend an act entitled "An act to regulate the practice of the healing art to protect the public health in the District of Columbia," approved February 27, 1929; to the Committee on the District of Columbia.

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### REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HAND: Committee on Merchant Marine and Fisheries. S. 1853. An act to authorize the Coast Guard to establish, maintain, and operate aids to navigation; with an amendment (Rept. No. 1878). Referred to the Committee of the Whole House on the State of the Union.

Mr. HAND: Committee on Merchant Marine and Fisheries. S. 2122. An act to authorize the Coast Guard to operate and maintain ocean stations; with an amendment (Rept. No. 1879). Referred to the Committee of the Whole House on the State of the Union.

Mr. PLOESER: Committee on Appropriations. H. R. 6481. A bill making appropriations for Government corporations and independent executive agencies for the fiscal year ending June 30, 1949, and for other purposes; without amendment (Rept. No. 1880). Referred to the Committee of the Whole House on the State of the Union.

Mr. ANDREWS: Committee on Armed Services. H. R. 6401. A bill to provide for the common defense by increasing the strength of the armed forces of the United States, and for other purposes; with an amendment (Rept. No. 1881). Referred to the Committee of the Whole House on the State of the Union.

Mr. LECOMPTE: Committee on House Administration. House Resolution 532. Resolution providing for further expenses of conducting the studies and investigations authorized by House Resolution 403; with an amendment (Rept. No. 1882). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. House Resolution 554. Resolution authorizing the printing as a House document and the printing of additional copies of the High Cost of Housing; without amendment (Rept. No. 1883). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. House Resolution 567. Resolution authorizing CHARLES W. VURSELL to review certain papers in the files of the House; without amendment (Rept. No. 1884). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. House Concurrent Resolution 189. Concurrent resolution authorizing the printing as a House document of the Final Report of the Select Committee on Foreign Aid, and authorizing the printing of 5,000 additional copies thereof; with amendments (Rept. No. 1885). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. House Concurrent Resolution 120. Concurrent resolution providing for the printing as a House document of the pamphlet entitled "Manual Explanatory of the Privileges, Rights, and Benefits Provided for Persons Who Served in Armed Forces of the United States During World War I, World War II, or Peacetime (After April 20, 1898), and Those Dependent Upon Them, With Special Reference to Those Benefits, Rights, and Privileges Administered by the Veterans' Administration"; without amendment (Rept. No. 1886). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. Senate Concurrent Resolution 52. Concurrent resolution to print additional copies of Senate Report 440, part 6, of the Special Committee To Investigate the National Defense Program; without amendment (Rept. No. 1887). Referred to the House Calendar.

Mr. LECOMPTE: Committee on House Administration. Senate Concurrent Resolution 53. Concurrent resolution authorizing the printing of additional copies of Senate Report No. 949, entitled "National Aviation Policy"; without amendment (Rept. No. 1888). Referred to the House Calendar.

Mr. MILLER of Nebraska: Committee on the District of Columbia. H. R. 5307. A bill to amend the act of August 7, 1946, so as to authorize the making of grants for hospital facilities, and for other purposes; without amendment (Rept. No. 1890). Referred to the Committee of the Whole House on the State of the Union.

Mr. BUCK: Committee on Education and Labor. H.R. 6289. A bill to provide for the voluntary admission and treatment of mental patients at St. Elizabeths Hospital; without amendment (Rept. No. 1891). Referred to the Committee of the Whole House on the State of the Union.

Mr. HINSHAW: Committee on Interstate and Foreign Commerce. H. R. 6407. A bill to encourage the development of an international air-transportation system adapted to the needs of the foreign commerce of the United States, of the postal service, and of the national defense, and for other purposes; without amendment (Rept. No. 1892). Referred to the Committee of the Whole House on the State of the Union.

Mr. BURKE: Committee on Merchant Marine and Fisheries. H. R. 6030. A bill to authorize the exchange of wildlife refuge lands within the State of Washington; without amendment (Rept. No. 1893). Referred to the Committee of the Whole House on the State of the Union.

Mr. HAND: Committee on Merchant Marine and Fisheries. H. R. 6204. A bill to extend to commissioned officers of the Coast and Geodetic Survey the provisions of the Armed Forces Leave Act of 1946; without amendment (Rept. No. 1894). Referred to the Committee of the Whole House on the State of the Union.

Mr. GRAHAM: Committee on the Judiciary. H. R. 5106. A bill to provide for changes in the time of holding court in certain divisions in the eastern and western districts of South Carolina; with amendments (Rept. No. 1895). Referred to the Committee of the Whole House on the State of the Union.

Mr. WELCH: Committee on Public Lands. H. R. 6246. A bill to authorize the transfer of certain Federal lands within the Chopawamsic Park to the Secretary of the Navy, the addition of lands surplus to the Department of the Army to this park, the acquisition of additional lands needed to round out the boundaries of this park, to change the name of said park to Prince William Forest Park, and for other purposes; with amendments (Rept. No. 1896). Referred to the Committee of the Whole House on the State of the Union.

Mr. REED of Illinois: Committee on the Judiciary. S. 692. An act to authorize a

[No. 281]

# SUBCOMMITTEE HEARING ON S. 2376 TO PROVIDE FOR A REVOLVING FUND FOR THE PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS TO BE PROCESSED IN OCCUPIED AREAS AND SOLD

House of Representatives,
Committee on Armed Services,
Subcommittee No. 6, Procurement and Supply,
*Monday, May 24, 1948.*

The subcommittee met at 10 a. m., Hon. Harry L. Towe (member of the subcommittee) presiding.

Mr. Towe. The committee will come to order.

I would like to make this brief statement before we start. The purpose of this bill is to help relieve the necessity for contributing our tax dollars to areas that our Government now finds it necessary to support, in Japan and Germany. The primary object of the bill, as I understand it, is to get the textile industries in these countries somewhat back on their feet, so that they can support themselves a little bit better.

Now, obviously, the collateral values of the legislation, if passed, would be to take some surplus commodities from this country to be used in this work, for processing abroad. I think, if the legislation will really accomplish both those objectives, it is highly desirable.

There is one question that constantly occurs to me—and I think it must to other members—and that is whether or not we are justified in restricting purchases, through the military governments in Japan and Germany, to American raw materials, rather than to permit a credit which our taxpayers provide to be used for purchase by these two countries of material in foreign markets.

We have had some testimony along that line. I would like, if we can, this morning, to nail that point down, getting all of the information that we can from witnesses who are here, whether it be in support of the restrictive provisions of the bill or not.

I would like Colonel Baldwin to take the chair, first——

Mr. Vinson. Mr. Chairman, I would like to make an observation. Of course, you clearly stated the objectives and purpose of the bill, but at the same time it occurs to me, without having heard the testimony as to the general proposition, that the credit of the United States should be used for the benefit of the people of the United States and not for the people of the world.

Now, from what you said—and this is the first time I have heard the question raised—the thought would be that the Department of the Army would go into the world market and buy wool, mohair, cotton, and many other fibers. Nevertheless, it would be upon the credit of the United States that these purchases would be made.

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Now, how is that of any benefit to the people in the United States except in relation to reducing the obligation to support the industries abroad? But it is upon the credit of the United States that that result is being brought about. Therefore, we should derive all the benefits of it and not Brazil, India, Turkey, or any other country from which mohair, wool, and cotton is bought.

Now, if those countries want to sell natural fibers, let them also provide their revolving funds. Let India provide a revolving fund to sell, if she wants to. Let Brazil do it. But let the United States take care of its own people. That has been our policy. It has not been the policy of the Government to go out here and be concerned about whether India sells her raw materials. We have been concerned about selling our own.

Mr. TOWE. Mr. Vinson, I am inclined to agree with your viewpoint. The only question in my mind is whether or not the margin of profit that will result from purchases of raw materials in other countries will not be so much greater that we would not be justified in restricting those purchases, in view of the main purpose we have in mind of re-establishing these economies in order to relieve us to some extent of the obligation to support them.

Mr. VINSON. You see, Japan uses as a rule a low-grade fiber, of all characters. Of course, that is produced mostly in other countries, more than it is in this country. Therefore, the commodities would be bought from down in India and Brazil on American credit and shipped abroad. And the American taxpayer is going to say, "Why? Why are you building up a revolving fund to purchase raw material outside of the United States?"

Now, it is certainly contrary to all the principles of this Government to go outside and help somebody else when you need to help yourself.

Mr. TOWE. I am not disagreeing with what you say. I merely want to get on the record a complete statement from the people concerned of what the situation would be or actually is, so that when this committee acts on the bill—even if it is reported in its present form—we will know what we are confronted with.

Mr. VINSON. Well, I may say it is a question of policy, and I do not see how the Department of the Army could lend any aid or assistance on a question of policy.

Mr. TOWE. We will write the bill, but we would like to have all the story before we do it.

Mr. VINSON. Of course, they can go into Brazil and India, and they can buy cotton probably a little bit cheaper than in the American market—and they can buy wool and mohair—but that is not the objective of the bill—to see where they can buy it the cheapest.

Mr. BROOKS. May I say this, Mr. Chairman: I think I was the only member of the Armed Services Committee who was appointed to the Herter committee to go abroad and investigate these things. The Herter committee went to Germany. I was with the subcommittee under Francis Case. We were interested very much in this question. We visited factories over there that in prewar times had textilized American fibers and were lying idle there. We saw those factories. We investigated fully the whole set-up, whereby these factories might be put back into operation. We found over in Germany that the Army had already begun to see this problem. They had taken off the hands of the Commodity Credit Corporation about

$30,000,000 in American fiber and caused it to be processed in those mills. Of course, that had a multiple effect over there. It put those people to work so that they were earning salaries or wages and could buy merchandise. It took them off the relief rolls, for which we were paying to keep them alive. And it made it possible to revitalize some of that industry which had been maintained before the war by virtue of being supplied from our own country.

Now, both in Germany and Japan we found that the problem was an American problem, that before the war we had been supplying these fibers of wool, mohair, and cotton, and now it was just a question of whether or not we would regain those markets or let some other country come in and take them over.

Now, the ERP permits the purchase of fibers in the world market and permits the supplying of all of those countries with the fibers they need for the purpose of operating their mills.

As I had understood this proposition—and certainly we were very much interested in it—it was to take care of surpluses of fiber from this country which in prewar times had been shipped for export to these self-same factories and to permit that to be done under the supervision of our armed forces. We now have over there the forces necessary to protect our money when it is put into cotton, wool, or mohair and sent abroad, and we can follow that straight on through the processing until it is finally sold and the money is collected.

Now, we don't have the facilities to take care of raw materials which might be purchased from other countries.

I think that really was a compelling argument, in the view of our committee. I just want to give that thought to you additionally, in reference to this problem. I think it is an American problem.

If you check, as we did, the exports of fiber from this country prior to World War II, you will find that we furnished the bulk of it to Japan and Germany, and it is those mills that we supplied in prewar times which are now lying idle because they lack our cotton, wool, and mohair.

Mr. Towe. Colonel, I think we have had testimony that in the prewar market we supplied about 32 percent of Japan's cotton; is that correct?

Colonel Baldwin. I believe it was a little bit greater than that, sir.

Mr. Towe. A little higher than that?

Colonel Baldwin. A little higher than that.

Mr. Towe. What would you place it at?

Colonel Baldwin. It was, as I recall, 40 or 45 percent.

Mr. Towe. Forty or forty-five percent?

Colonel Baldwin. Something in that general area.

Mr. Towe. If this program were put into effect, under this bill that we are now considering, would we maintain that percentage of supply?

Colonel Baldwin. It would probably be exceeded, sir.

Mr. Towe. To what extent?

Colonel Baldwin. It would depend upon availabilities from the United States and upon our ability to finance or secure financing for purchases in other countries.

The ratio since the occupation began has been, I would say, around 75 to 80 percent, roughly.

Mr. Towe. From here?

Colonel Baldwin. From the United States, purely because we are financing it.

Mr. Towe. The other chief supplier of cotton to Japan before the war was India.

Colonel Baldwin. India; some from Egypt. They purchased their cotton where they could get it, at whatever price was the most attractive. They did use much American cotton—as I say, roughly around 40 to 45 percent.

Mr. Towe. You think, because of our ability to finance, we would supply as high as 75 percent of the raw material in cotton that they would use?

Colonel Baldwin. We have in the past. That is the record since the beginning of the occupation.

Mr. Towe. Is it not so that Japan is now importing some cotton from India?

Colonel Baldwin. It is; yes, sir.

Mr. Towe. Under their own financial arrangements?

Colonel Baldwin. That is right, sir, primarily on a barter basis.

Mr. Towe. Primarily on what?

Colonel Baldwin. On a barter basis.

Mr. Towe. Is there any question in your mind about the ability of this revolving fund to be replenished with dollars because of the markets to which the finished products will go from Japan, speaking of cotton?

Colonel Baldwin. We have every confidence that we can repay the funds advanced under the bill. It is going to be difficult, perhaps, in some cases, but the past experience has been that it is paying out and we have every reason to believe, as I have testified previously, that funds advanced under this bill will be repaid, irrespective of the source of cotton.

It would make our job a bit easier, perhaps, if we were enabled to buy raw materials from other sources, but it is not as important as we once thought it was. I know I have, in discussing it with a number of people, expressed myself as being of the opinion that it would ease our problem a little bit if we were buying from general sources rather than from the United States entirely, but it would not impose too great a handicap one way or the other.

Mr. Towe. You mean by that that you could buy so much cheaper that you could get rid of the goods faster, or what?

Colonel Baldwin. Peculiarly enough, when we go to buy cheaper in some of those foreign countries the price goes up, so that the margin between United States sources of supply and, say, Indian sources of supply, or Brazilian, or whatever they might be, has a tendency to narrow itself the moment we enter the market.

Mr. Towe. Is there a very wide divergence in price today?

Colonel Baldwin. I could not answer you on that, sir. I just do not know.

Mr. Towe. But you are as satisfied as a person could be that if the program was put into practice we will not have great difficulty in restoring the dollars to the funds that the taxpayers of this country advance?

Colonel Baldwin. By the language of the bill, we would have to assure ourselves on the individual purchases that that would be the case, sir. In other words, we would have to analyze the potential sales outlet at the time of the purchase to assure ourselves that the dollars could be repaid, and that we would do.

Mr. Towe. Of course, that would only be your best opinion at that moment, would it not?

Colonel Baldwin. It would be our best opinion at the moment, that is correct, sir. But it would be incumbent upon us either to be assured at that time or not make the purchase.

Mr. Towe. In other words, you would not even make the purchase in this country of the raw cotton to send abroad until you were reasonably assured that the finished articles would have a market that could return dollars to the fund?

Colonel Baldwin. That is correct, sir. That is the very language of the bill.

Mr. Towe. Now, if you were buying the same amount of cotton in India, we will say, do you think in the first place that the price would not be too far apart from what you could buy it at here? The minute you went into the market do you think the price would go up?

Colonel Baldwin. That is a very difficult question. I suspect that the price would go up. There undoubtedly would be a small margin, a differential between American and Indian prices. Someone who has followed the cotton market more closely than I ever had could better answer that. But, as I understand it, there is a differential of a few cents a pound that remains fairly constant.

Mr. Towe. Is there today in Japan a large supply of the finished cotton goods that has not been marketed?

Colonel Baldwin. We have at the present time—the last figures that I recall—around 400,000,000 yards of all types. They are quite slow moving.

Mr. Towe. What is the reason for that?

Colonel Baldwin. Up until recently the requirement has been that sales be made only for dollars. In other words, dollars were the only acceptable currency for which those finished goods could be disposed. We have recently concluded arrangements whereby we are able to sell them for other than dollar currencies, and we have increased the tempo of sales. I think the total sales have run, including forward sales, something on the order of $35,000,000 or $40,000,000 in the last 3 months.

Mr. Towe. As against a total inventory of about 400,000,000, you say?

Colonel Baldwin. Four hundred million yards, or around $100,000,000 or $125,000,000 worth. Of course, a part of that was forward sales—in other words, sales against future production.

Mr. Towe. You mean that those sales are not against the present inventory?

Colonel Baldwin. Not against the present inventory.

Mr. Towe. What will happen to that inventory if this program goes into effect? What will happen to the goods that are there? Will you just keep them?

Colonel Baldwin. No, sir; we will sell them. We are working on that at the present time. And as has already been testified, one of the outstanding cotton textile merchandisers in the United States is going over to Japan very shortly. He is taking a staff with him. His sole function will be to broaden the outlet for those particular textiles.

Mr. Towe. Is there any chance, in your opinion, that in order to market the goods that are now in inventory in Japan they will have to market them in this country?

Colonel BALDWIN. There undoubtedly will be a small percentage of them sold in this country. I say small percentage because they are mostly of a grade and of a quality of goods that would not sell readily in the United States. Some of them will. We are making at the present time, as I understand it, some very, very few sales of certain types—principally bridge table sets—and other items that have a considerable quantity of additional hand labor in them, rather than just the textile itself. I do not have recent figures on what the sales have been, but I know that the bulk of them have been outside the United States. There are undoubtedly small percentages that will be sold in the United States.

Mr. TOWE. Is it your opinion that the bulk of the inventory goods will be sold in markets that Japan normally sells to?

Colonel BALDWIN. They will; yes, sir.

Mr. TOWE. So there will not be any great encroachment upon American-made goods in the foreign markets?

Colonel BALDWIN. You say on "American markets"?

Mr. TOWE. I mean, in disposing of the goods that they now have in inventory, some of them may be sold here, you say, but the bulk of them will be sold in countries where Japan normally would sell. Now, I ask whether those sales would interfere to any great extent with what we would normally export from this country?

Colonel BALDWIN. They should not interfere very greatly; no, sir. There will be some overlapping of areas.

Mr. TOWE. Have you any questions?

Mr. VINSON. And there will be some competition?

Colonel BALDWIN. There will be some competition; yes, sir.

Mr. VINSON. Now, let me ask you this: How did Japan get this cotton, to produce this inventory, in the first instance? Did she get it before the war?

Colonel BALDWIN. No. It is practically all postwar production.

Mr. VINSON. Is it postwar purchase of the fiber or prewar purchase of the fiber?

Colonel BALDWIN. Postwar purchase of the fiber, sir.

Mr. VINSON. How did she purchase the fiber, then?

Colonel BALDWIN. It was a Commodity Credit advance.

Mr. VINSON. Commodity Credit Corporation advanced Japan money to buy about 1,000,000 bales of cotton, did it not?

Colonel BALDWIN. That is right; yes, sir.

Mr. VINSON. And from that 1,000,000 bales of cotton Japan has made up a large quantity of textiles.

Now, that hasn't yet been sold, you say?

Colonel BALDWIN. That is right, sir.

Mr. VINSON. It was under the Army's supervision that the textile industry in Japan was operating?

Colonel BALDWIN. That is right, sir.

Mr. VINSON. Now, you want to sell that stock of goods so you can pay back the money that was advanced by the Commodity Credit Corporation; is that correct?

Colonel BALDWIN. That is correct.

Mr. VINSON. No effort up to date has been made to sell it. Is there now any being made to sell that stock of goods—that inventory?

Colonel BALDWIN. Strenuous efforts.

Mr. VINSON. What did you say?

Colonel BALDWIN. Very strenuous efforts.

Mr. VINSON. Very strenuous efforts. Well, are you selling it?

Colonel BALDWIN. We are selling, and, as I say, we are selling at an accelerated rate since we have been able to sell for other than dollar currencies.

Mr. VINSON. Then, you are selling on a barter basis?

Colonel BALDWIN. Some of it barter, some of it on dollar sales, and some of it on other currencies which we can convert at a later date for raw material imports.

Mr. VINSON. Then, if there is not a program of this character, the textile industry in Japan will cease to operate in a short time, would it not?

Colonel BALDWIN. It will have to reduce itself and curtail operations.

Mr. VINSON. Then we would have to feed all the mill workers, would we not?

Colonel BALDWIN. It would increase our costs.

Mr. VINSON. Exactly.

Now, who will administer this bill in the Department of the Army? Are you going to administer it?

Colonel BALDWIN. Pardon, sir?

Mr. VINSON. Who will administer this bill in the Department of the Army?

Colonel BALDWIN. It would be administered under the Secretary of the Army.

Mr. VINSON. Yes; I understand——

Colonel BALDWIN. And he will probably designate the Civil Affairs Division as his agent.

Mr. VINSON. What division are you connected with?

Colonel BALDWIN. I am in the Civil Affairs Division.

Mr. VINSON. Civil Affairs Division?

Colonel BALDWIN. That is right, sir.

Mr. VINSON. And they will probably direct that the Civil Affairs Division administer this act?

Colonel BALDWIN. Yes, sir.

Mr. VINSON. Are you the ranking officer in that Division?

Colonel BALDWIN. No, sir.

Mr. VINSON. Who is the ranking officer?

Colonel BALDWIN. Maj. Gen. Daniel Noce is the head of that Division.

Mr. VINSON. And you are an officer in that Division?

Colonel BALDWIN. That is right, sir.

Mr. VINSON. Have you had any previous connection with the textile industry of Japan?

Colonel BALDWIN. I have been in the particular job that I now occupy for about 2½ years.

Mr. VINSON. You are, then, thoroughly conversant with the Commodity Credit loan, the manufacturing, and the accelerated effort that you are making to dispose of the inventory?

Colonel BALDWIN. I am probably as conversant as anyone in Washington.

Mr. VINSON. Now, let me ask you this: If this bill is passed in its present form, why it is not necessary for Congress to make an appropriation, under a deficiency bill? How could you do this without

Congress making some appropriation? And why should not the bill be amended so that it can be administered without that taking place?

Mr. Chairman, I want to call your attention to this:

The present language of section 1 is inadequate to provide for the actual availability of the funds necessary to implement this act. Treasury personnel have indicated that passage of the bill in its present form would necessitate their submitting to the Bureau of the Budget a request for an appropriation at the first submission of a deficiency appropriation request.

To correct this situation, the following amendment is necessary and is, in principle, identical with the language of the Foreign Assistance Act of 1948, Public Law 472. Under the language given below the advance of the necessary funds would be considered as a "public debt transaction" and the funds could then be provided by the Secretary of the Treasury issuing bonds to cover their borrowing.

The amendment to be inserted is as follows:

Beginning with line 3 and continuing through line 10 of section 1, page 1, delete and substitute therefor the following:

That notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including * * *

And so forth and so on.

Colonel BALDWIN. As I understand it, when we were proposing a set of rules and procedures for handling this fund, we took up with the Treasury the subject of how this money would be handled. They called to our attention the fact that the bill as now written did not provide clearly the source from which the funds would be derived, whether it would be an appropriation or whether it would be an advance from some other source, and that on the basis of the language in the present act they would be unable to advance money unless there was clearly indicated a source from which it would be advanced.

As I understand it, they have two types of source: One a direct appropriation; the other a public-debt transaction, which, as I understood it, involves the issuance of bonds; that is, borrowing the money against bonds, and retiring the bonds as repayments are made.

The language which you have read, I believe, is designed to identify the source from which those funds will be derived.

Mr. VINSON. And classifying it as a public debt.

Colonel BALDWIN. It is a public-debt transaction; that is correct, sir.

Mr. VINSON. That is right, exactly. That is the only way you can do it. Otherwise, if this bill passes you have to get a deficiency appropriation.

Colonel BALDWIN. That is correct, sir.

Mr. VINSON. There is not a doubt in the world about it.

Mr. BISHOP. Could I ask a question right there?

Mr. TOWE. Mr. Bishop.

Mr. BISHOP. How much money has the Commodity Credit invested in this program up to the present time?

Colonel BALDWIN. I believe that their total advances were on the order of—I think I have that figure here—$185,000,000 in the case of Japan, and in the case of Germany $35,500,000, or a total of about $220,000,000.

Mr. TOWE. Some of that has been repaid.

Colonel BALDWIN. Now, there has been repaid, as of the end of April, $132,000,000 by Japan and $16,000,000 by Germany. That is on both the principal and the interest.

Mr. BROOKS. That leaves a balance, out of the $220,000,000 of about $70,000,000 still owing?

Colonel BALDWIN. A balance of $53,000,000 in the case of Japan, and $19,000,000 in the case of Germany; that is correct, sir.

Mr. BISHOP. What do you estimate to be the value of the finished products and the raw materials you have on hand now?

Colonel BALDWIN. The textiles in Japan I estimate at somewhere around $100,000,000 to $125,000,000.

Mr. BISHOP. My thought, Mr. Chairman, is this: If you have the amount of money that is requested here tied up in the Commodity Credit Corporation, why not transfer that and not go out and make another appropriation. Is that clear to you?

Mr. TOWE. I understand it, but I don't think you can do that.

Mr. BISHOP. Why?

Mr. TOWE. I don't think you can transfer funds from the Commodity Credit Corporation to the Army for this purpose.

Mr. JOHNSON of California. May I ask one question, Mr. Chairman——

Mr. TOWE. Just a second.

Mr. BISHOP. Could that be done?

Mr. BALDWIN. I do not believe it could, sir, for this reason: As I understand it, the Commodity Credit Act does not authorize the Commodity Credit Corporation to lend money and since that agency does not have the cotton in their warehouses anymore—that is, the cotton that they formerly had on hand from price support programs—the only thing they could do now would be to advance the money to buy the cotton. That would mean making a direct loan to the Army.

I think Mr. Dodd can talk much more authoritatively on that than I can, but that is my understanding of the difficulty.

Mr. TOWE. Mr. Johnson.

Mr. JOHNSON of California. Is any part of that item—$35,000,000—wool?

Colonel BALDWIN. No. It was all cotton, sir.

Mr. JOHNSON of California. It was all cotton?

Colonel BALDWIN. All cotton.

Mr. VINSON. All Commodity Credit Corporation transactions were cotton transactions.

Mr. JOHNSON of California. They have some wool, too, do they not?

Mr. VINSON. The question was raised by the distinguished chairman at the outset. This bill limits the purchase of fiber to the United States, does it not?

Colonel BALDWIN. That is correct; it does.

Mr. VINSON. Where is that in the bill? I could not find it. Which page is it on?

Colonel BALDWIN. I believe it is at the top of page 2, sir.

Mr. VINSON. Oh, "produced in the United States." That is it. Now, if we wanted to buy any that was for sale anywhere else we would have to strike that out. That would permit you to buy in any other market that you saw fit to do so.

Colonel BALDWIN. That is correct.

Mr. VINSON. Now, are you advocating that the United States go in the world market to buy this fiber, or do you think the policy should be to procure this fiber in the United States?

Colonel BALDWIN. That is a policy decision, sir; which would be extremely difficult for me to determine, in my own mind.

Mr. VINSON. What is the objective of the bill? To give employment, so as to take their hands out of the pockets of Uncle Sam?

Colonel BALDWIN. It has that function; yes, sir.

Mr. VINSON. In your own language, just what is the objective of the bill? State for the record exactly what you consider the objective of this bill to be.

Colonel BALDWIN. As I understand it, the objective is to provide a working capital which would permit the economic rehabilitation of Japan at a more accelerated rate and thus reduce the direct appropriation necessary to make up the deficit in their balance of trade with the rest of the world. That balance of trade, when it becomes favorable, is the thing that will put them on their own entirely.

Mr. VINSON. And the effect of the language is to take their hands out of the pocket of Uncle Sam?

Colonel BALDWIN. It could be so expressed, very succinctly.

Mr. VINSON. Do you think, since we are making our credit available, that the fibers ought to be purchased in the world markets or bought in the United States, where probably we produce more of these fibers than any other country?

Now, if you do not agree with us, you just talk out. You give us the benefit of your views and tell us why you think so. Nobody is going to criticize you because you do not agree with me.

Do you think it would be best to have them purchase the fiber in the world markets?

I know this—I will help you along—the State Department policy is to engage in world trade. As a matter of fact, they prefer to engage in world trade instead of in the United States, but some of us think the bulk of the trading should be in the United States. Now, what is your viewpoint? Now, do not have any hesitancy about it. If you do not agree with that line of reasoning, give us the benefit of it so we can reach a proper decision.

Colonel BALDWIN. Well, let us approach it this way: If we buy, say, 100,000,000 pounds of cotton, every penny less that that cotton costs us would represent $1,000,000, I believe, which would be an increase of $1,000,000 in the profit on the cotton-textile transaction. That is like taking advantage of the 2-percent discount for cash that we used to get on our bills. It is very easily earned money. So, purely from the standpoint of a textile operation, we couldn't make $1,000,000 any more easily than buying 100,000,000 pounds of cotton at a cent per pound less than we would have to pay for it somewhere else.

Now, when it comes to evaluating the effect of that $1,000,000 saving on the over-all economy of the United States, weighing that against the benefits which would accrue to the United States through buying that cotton here at the cent-a-pound increased cost, instead of somewhere else, you are getting me in a spot where I do not think I am competent to answer because it is over my head.

Mr. BROOKS. Well, Colonel, would it not have this effect, though: The difficulty with the world today, as I understand it, is a shortage of American dollars; and are you not—by using domestic staple and sending it abroad to be sold—establishing the American dollar, which can be used in international trade subsequently?

When you get out into the international field, do you not defeat that very purpose? Is that not true?

Colonel BALDWIN. I am afraid I missed the——

Mr. BROOKS. Of course, when the ERP was presented to Congress, almost every argument followed the theory that the trouble with Europe, certainly—and with the Orient, too—was the shortage of American dollars. Now, when you send merchandise from this country which is processed over there and sold at a profit, are not you in effect establishing a credit of American dollars in foreign countries?

Colonel BALDWIN. Selling the——

Mr. BROOKS. When you ship staples from this country and they are processed and sold at a profit, as those people do in Japan, are you not establishing a credit over there which they can use to buy badly needed merchandise from this country?

Colonel BALDWIN. That is in Japan or in other countries?

Mr. BROOKS. Japan or Germany; either one.

Colonel BALDWIN. We are. That would be the effect, I believe. But the difficulty has been, and still is, that the credits which we can establish there by those transactions are insufficient to meet all of their requirements.

Mr. BROOKS. True.

Colonel BALDWIN. It adds to their ability.

Mr. BROOKS. We give them the balance, under the ERP program, and here if you use domestic staples it will build up a credit of American dollars, whereas if you use foreign staples in these countries it will not built up a credit of American dollars which is so badly needed. That is true, is it not?

Colonel BALDWIN. I am afraid I am lost on your question, sir.

Mr. BROOKS. Well, it seems to me very plain that the trouble we found all through Europe was that they did not have any American dollars with which to buy American merchandise and therefore they came to Congress and said: "Let us give them the money under the ERP program, so they can come back and use our money to buy our merchandise."

Now, when we send domestic fiber to their mills and they use that domestic fiber to be processed and sold in sections of the world that normally we do not reach, and they earn a profit for their mills, they use that profit to buy from us the goods which they need; is that not true?

Colonel BALDWIN. That would be the effect; yes, sir.

Mr. BROOKS. And if you use foreign staples from India, for instance, you accomplish no such result; is that not true?

Colonel BALDWIN. You would certainly not build up a ——

Mr. BROOKS. You would not build up an American credit or American dollars.

Colonel BALDWIN. That is right.

Mr. BROOKS. You would build up a credit in the sterling bloc, which would do no good as far as buying from this country is concerned.

Colonel BALDWIN. Or whatever currency it might be. In fact, most of our cotton sales have been in Asia.

I was preparing a moment ago to give you, just for background, the outlets which we have had for Japanese textiles, in partial answer to a question which was raised as to whether or not sales would be made in the United States.

I would like to read that, if I may.

In Asia we have disposed of 65 percent of those textiles which have been produced; in Africa, 11 percent; in Europe, 20 percent; North America, 1 percent; South America, none; Oceania, 3 percent; that is, New Zealand, Australia, and the island possessions in that part of the world. That would indicate that countries other than the United States had provided outlets for 99 percent of our total sales. That would, I think, be quite significant in indicating where Japan's foreign trade had been in the past and would be in the future. It would indicate where their credit would be built up, and it would indicate where probably much of their international commerce would be in the future, particularly in textiles. That is an unbalanced sales outlet insofar as North America is concerned, but not too greatly out of their prewar pattern in textiles.

Mr. VINSON. May I ask him another question, Mr. Chairman?

If this bill is passed, approximately how many thousand bales of cotton would you estimate would be bought in the first year? Are you in a position to give us any information along that line?

Colonel BALDWIN. We have not had a forward program from Japan that was firm for their entire requirements. They indicate that they would need at least 500,000 bales.

Mr. VINSON. Five hundred thousand bales?

Colonel BALDWIN. And if there was adequate power available and an adequate sales market ahead, and other factors were favorable, they might run up to 850,000 bales.

Mr. VINSON. Before the war, what was the average number of bales of American cotton used by Japan?

Colonel BALDWIN. As I recall, they imported three or four million bales per year.

Mr. VINSON. Three or four million bales?

Colonel BALDWIN. That is when they were operating around eight to ten million spindles.

Mr. VINSON. Of American cotton?

Colonel BALDWIN. Pardon?

Mr. VINSON. That is American cotton—three or four million bales of American cotton?

Colonel BALDWIN. I believe that is the figure.

Mr. VINSON. Under this program you say it will probably not exceed 1,000,000 bales?

Colonel BALDWIN. I think they are planning on a maximum of 850,000.

Mr. VINSON. All right. How many pounds of wool?

Colonel BALDWIN. On that, sir, I could not answer you.

Mr. VINSON. How many pounds of mohair?

Colonel BALDWIN. Nor that.

Mr. VINSON. Now, how much cotton would go to Germany, under this bill?

Colonel BALDWIN. At the present time I think probably Germany will get all of its cotton under a private financing plan and through ECA. I do not visualize this bill being used for any cotton in Germany in the immediate future.

Mr. VINSON. Then, it is mainly for Japan?

Colonel BALDWIN. It is principally in Japan.

Mr. BROOKS. Well, have we not used that set-up in the past?

Colonel BALDWIN. Pardon, sir?

Mr. BROOKS. The Army used that set-up in the past to obtain fiber from this country?

Colonel BALDWIN. For Germany?

Mr. BROOKS. Yes.

Colonel BALDWIN. That is correct.

Mr. BROOKS. You do not think it will be needed in the future?

Colonel BALDWIN. A credit for Germany has been worked out with private agencies here in the United States and is being used now. I believe it is in the neighborhood of $20,000,000 for the importing of cotton.

Mr. BROOKS. How about wool?

Colonel BALDWIN. They are getting their wool principally from a sterling area. The British contribution, as I understand it, is to bizonal Germany.

Mr. BROOKS. That is the point I was getting at a moment ago, when you referred to wool coming from a sterling area. When they get the wool from a sterling area it does not build up a dollar reserve in Germany from which purchases can be made in this country.

Colonel BALDWIN. That is correct.

Mr. BROOKS. Now, under this bill would it be possible to ship and sell American wool to Germany?

Colonel BALDWIN. It would.

Mr. VINSON. Now, Mr. Chairman——

Mr. TOWE. Of course, you do not contemplate using the credit provisions of this bill where private financing can be utilized, do you?

Colonel BALDWIN. No, sir. In other words, this is designed, as I understand it, and as we contemplate using it, to make up any deficit that exists between needs and private financing.

Mr. VINSON. Now, I want to put this in the record, Mr. Chairman: The supply of cotton on hand in the United States on April 30,1948, was approximately 5,700,000 bales. Estimated domestic consumption for the 3 months of May 1, 1948, to August 1, 1948, is 2,170,000 bales. Therefore, the present supply in excess of domestic requirements is approximately 3,600,000 bales. The price of cotton today, the top market, is around 39 cents. So this is not a bill, and cannot be classified as a bill, to get rid of a large amount of American cotton. But it is a bill that would relieve the pressure on the taxpayers of America of supporting a large number of people in Japan who are engaged in the textile industry and would let those people earn their own living instead of Uncle Sam furnishing it for them. That is all.

Mr. TOWE. Any other questions?

Mr. BISHOP. No.

Mr. Towe. Thank you very much, Colonel.

Mr. Evans.

Mr. Evans. Mr. Chairman, Mr. Bowman will testify for the State Department.

Mr. Bowman. Mr. Chairman, I am from the Occupied Areas Economic Affairs Division, Japan-Korea Branch, Department of State.

Is it your desire to make inquiry, or should I make some statements?

Mr. Towe. Would you like to make a statement, first?

Mr. Bowman. We have no prepared statement, Mr. Chairman. We are not sponsors of the bill, but we are in support of it. We think that the general objectives of the bill are in accord with the State Department's policy with respect to the occupied areas.

Mr. Vinson. May I ask him a question?

Are you supporting the bill? Is the State Department supporting the bill?

Mr. Bowman. Yes, sir.

Mr. Vinson. The State Department thinks it is a good, sound policy for the United States to do what this bill calls for?

Mr. Bowman. We think so, sir. We think it will contribute to the restoration of the Japanese economy.

Mr. Vinson. Which, in turn, has the effect of relieving the obligation of this Government that much sooner?

Mr. Bowman. That is correct.

Mr. Vinson. As soon as we can get Japan rehabilitated, why, then, you are in that much better condition as far as appropriating money to take care of the situation in Japan?

Mr. Bowman. Yes, sir. This will make a contribution in that direction. In itself it would not put Japan back on its feet, sir.

Mr. Vinson. Of course not. But it will begin to get this industry back on its feet.

Mr. Bowman. Yes, sir.

Mr. Vinson. And it will help this industry.

Mr. Bowman. I think the effect, sir, would be even broader, inasmuch as it would enable Japan to expand its general foreign-trade position somewhat. But it would certainly contribute in a major way to the restoration of the Japanese textile industry.

Mr. Vinson. And while the State Department did not sponsor this bill, nevertheless, the State Department is supporting this bill.

Mr. Bowman. Yes, sir.

Mr. Vinson. And looks with favor upon Congress following the policy set out in this bill?

Mr. Bowman. That is correct, sir.

Mr. Vinson. That is all, Mr. Chairman.

Mr. Towe. Does the State Department think, Mr. Bowman, that authority should be granted under this bill to purchase other raw materials than those which are mentioned in the bill?

Mr. Bowman. We would have no objection, sir, if the provision ran in those terms. We think, from the standpoint of the supreme commander's planning, there would be a considerable number of other items which would undoubtedly be procured in the United States, provided they were available. It would be a question of availabilities.

From the supreme commander's point of view, there would also, however, be a problem of selling the item for which he used those raw

materials for dollars or currencies convertible into dollars in order that he might obtain the dollars necessary to repay the obligation.

We have noticed that the supreme commander in the past has also been acutely aware of his obligation in dollars, particularly with respect to the textiles produced from the cotton furnished by the Commodity Credit Corporation. I think that what he actually would buy would be determined in part by the availability of the materials here and, secondly, by his ability to sell for dollars, as he saw his problem.

Mr. Towe. Do you think that there would be any great advantage from the standpoint of a more speedy rehabilitation of the economy of Japan if the provisions of this bill were enlarged so that purchases could be made from countries other than the United States?

Mr. Bowman. I think, Mr. Chairman, there is no question but what there would be a more speedy recovery.

There would also be, as I have said, however, the problem faced by the supreme commander as to where he can sell for dollars. And under the terms of this bill he is obligated to get dollars. There is no question that if he could have offshore expenditures it would mean a great deal by way of his ability to obtain raw materials in a world that is terribly short of raw materials at this time. One of his most difficult problems to solve is his problem of inconvertible currencies. This would contribute to his getting the raw materials, but it would still leave him the problem of how to get dollars.

Mr. Towe. In other words, under this bill the transactions can come to a more speedy conclusion in dollars than if the Government—that is, the military government—were permitted to purchase cotton in India, for instance?

Mr. Bowman. Yes, sir; that is true, Mr. Chairman.

Now, when he makes deals for raw materials he has to consider, first: Does he have any currencies that would be acceptable to the supplier of those raw materials, and, if he does not have those currencies he has to try to work out some kind of a barter operation that would procure those raw materials for him. The second alternative works, but it is very cumbersome and it takes considerable time to work it out.

I think, that the supreme commander feels that he probably can have enough dollar sales in the United States and Hawaii and Canada, and also from those countries that do possess some dollars, so that if he has some flexibility in the expenditure of his funds he will probably, within the fairly broad latitude given him, be able to meet those dollar obligations all right.

I might say, sir, that I only returned 3 weeks ago from Japan. At that time the supreme commander was dealing with the United Kingdom representatives and with the Netherlands East Indies representatives for a considerable sale of textiles, and with the Netherlands East Indies, for example, he hoped to make a deal whereby he would receive part payment in dollars. If he can merely get part payment in dollars I think that he can pay out these obligations as they arise, as he draws down on the credit extended. And he is looking forward, I think, with considerable optimism to his ability to do that.

Mr. Towe. And this bill would help him?

Mr. Bowman. Not in this particular case, but in the future it would enable him to maintain a pipe line of cotton and other raw materials into Japan so that he could crank the whole thing up to a

higher level. As he does that, it gives Japan more with which to trade and at the same time that means that he gets a snowball effect. He can get more in and crank it up to still higher levels.

Mr. Towe. He can do it that much faster under the bill the way it is written now, than he would be able to even if he were permitted to buy it in foreign markets; is that correct?

Mr. Bowman. Yes, sir; because it does enable him to have still another source of an extremely important raw material which is cotton. It is rather symbolic of the entire Japanese economy. That is, if that industry, which is one of their main export industries, does not operate it has a depressing effect throughout the Japanese economy and we think it would work to our detriment.

Mr. Towe. How many people do you think would be put to work that are now not working, if this bill becomes law? Can you estimate that?

Mr. Bowman. Sir, I would be extremely dubious as to any estimate. I might put it in these terms. It might enable the textile industry of Japan to step up production by perhaps as much as 25 percent over, let us say, the next year because it takes time to get the factory in motion, get the shifts established, and all of those management problems that come with expanding output.

I wouldn't really want to make an estimate without opportunity to check myself on how many people might be put to work. That is a matter of how many shifts, how many people are currently employed, and so on.

Mr. Towe. I didn't mean to reduce it necessarily to people. I was interested in the general effect that it would have. I think your answer is a good one.

Mr. Bowman. It is a basic problem of how rapidly you build up your output once your raw materials are available.

Mr. Towe. Once industry was increased in productivity to the extent of even 25 percent and Japan got into the market again, it would probably progress quite rapidly, would it not, in its recovery?

Mr. Bowman. Yes, sir. We have no doubt in our mind, sir, that as raw materials are made available by one scheme or another the Japanese industry can be cranked up over the next 3 or 4 years to a self-sustaining basis.

Mr. Towe. So one of the chief advantages of this bill, as you see it, is that it can go to work quickly, so to speak?

Mr. Bowman. Yes, sir.

Mr. Towe. Rather than to have the supreme commander negotiate through various currencies that might slow up the process of getting the mills working.

Mr. Bowman. It would immediately solve, sir, his problem of obtaining one of the basic raw materials. As it is now, he has to negotiate with the Indians, the Egyptians, and the Brazilians, and so on, trying to eke out enough to keep that industry going at some sort of a level.

Mr. Towe. Do you have any questions, Mr. Bishop?

Mr. Bishop. As these countries are about to set up their new governments, I wonder if it would not be more economical to the United States if this clause is cut out and give the whole world an open market for this program, so as to let those people, for instance,

the Japanese, buy their own materials. Let us furnish the money and let them buy it wherever they might.

Mr. Bowman. The latter part of your question, sir, was, "Let us furnish the money"——

Mr. Bishop. Well, that is what you are going to do. You are going to furnish the money. In other words, the Army is going to buy it. Why not let the Japanese people buy their own materials in the world markets?

Mr. Bowman. I think, sir, that even if you throw it open to the Japanese they will be required, simply by the circumstances that we have in the cotton market on the supply end, to buy a great portion of their cotton here.

In addition, however, if they did have dollars available to them without restrictions as to where they might spend them, I think they would operate quite rapidly. They would undoubtedly go to India, and perhaps some other markets, though the supreme commander would at the same time hoard his dollars insofar as he could make a deal on a barter basis. That is what he is doing with India. For example, he now has a trade mission in India that is trying to establish a barter basis for some additional supplies of cotton from India. If you make the dollars available it certainly will give him more latitude with which to go into world markets and procure materials.

Mr. Bishop. Would you endorse such a program?

Mr. Bowman. My Department, sir, has under another bill—under the economic rehabilitation bill—taken such a position. There the position is one of obtaining an appropriation which could be spent offshore United States for the procurement of raw materials.

Mr. Bishop. In other words, you do not mean to insinuate they would be overlapping?

Mr. Bowman. Well, there might be some overlap, sir. We do not know what the Congress is going to do with respect to the appropriation request for the economic rehabilitation. We would dislike to see this bill be made a substitute for that economic rehabilitation program.

Mr. Bishop. Do you see any way where ERP might handle the whole program?

Mr. Bowman. No, sir. I think that the circumstances under which we are occupying Japan would make it unrealistic to try to incorporate it into the ECA program.

Mr. Bishop. Do not you think it would be good business to try to educate the Japanese as to the program of buying, for their raw materials?

Mr. Bowman. Mr. Congressman——

Mr. Bishop. To make possible the manufacture of these textiles, while we are there? Do not you think that would be nice supervision for the Army to do?

Mr. Bowman. Mr. Congressman, I think our experience with the supreme commander is that he has the Japanese well educated in this respect. If you will recall, the Japanese experience in foreign trade prior to the war, I am sure that it is perfectly clear that they do not need education. What they need are credit lines which will enable them to crank up their industry. And I think we may be sure that they will expand very rapidly once those credit lines are somehow expanded.

I think the supreme commander feels, probably, that they have done an able job in view of what they have had available by way of raw materials.

Mr. BROOKS. Mr. Chairman, if the gentleman is through I would like to ask a question.

Mr. BISHOP. All right.

Mr. TOWE. Mr. Brooks.

Mr. BROOKS. Mr. Chairman, I would like to ask this question. I understand the Surplus Commodity has a large amount of low-grade wool on hand. That is true, is it not?

Mr. BOWMAN. Sir, I should like you to direct that to Mr. Dodd. I am afraid I am not familiar with that.

Mr. BROOKS. Before the war Japan used a great deal of wool, which she imported.

Mr. BOWMAN. Yes, sir.

Mr. BROOKS. I was coming through the gentleman's State the other day, in southern Illinois, and I saw a good many sheep out there. I know he is interested in that.

Now, under this program Japan could obtain this low-grade wool from the United States, some of which might come from the Commodity Credit Corporation; is that not true?

Mr. BOWMAN. Yes, sir.

Mr. BROOKS. And is it not to the interest of our peoole in this country that we get rid of that wool?

Mr. BOWMAN. I really think, sir, that Mr. Dodd is much better qualified. From the discussion I have heard with respect to the wool market, there is apparently a firming of the market, so there may not be a very serious problem of moving the wool. I should say that in the absence of that it would be desirable to use this fund to purchase those low-grade stocks.

Mr. BROOKS. Let me ask you this: Normally, where does Japan get most of its wool from?

Mr. BOWMAN. I think, prewar, sir, she bought it heavily from Australia.

Mr. BROOKS. How much did they use in the prewar days, of wool?

Mr. BOWMAN. Sir, I would have to fill that in the record and would be happy to do so. Offhand, I don't know, unless some of the other gentlemen here could fill that in for you on the spot.

Mr. BROOKS. All right, I will wait until Mr. Dodd gets on the stand.

Mr. TOWE. Thank you very much, Mr. Bowman.

Mr. Dodd.

Mr. BROOKS. Mr. Dodd, may I ask you this—the question I was just asking—you have a record of the imports of Japan on wool prior to the war?

Secretary DODD, Yes, sir; we do have. I do not have them here with me, Mr. Brooks.

Mr. BROOKS. It is something like 800,000 bales?

Secretary DODD. Japan had one of the largest wool and textile plants in the world prior to the war.

Mr. BROOKS. Now, our Surplus Commodity Corporation has a good deal of low-grade wool on hand now.

Secretary DODD. I would like to correct that statement, as to low grade.

Mr. Brooks. Well, a good deal of wool.

Secretary Dodd. We have a great deal of wool of a fineness from 50 to 58. It is a very high-grade wool.

Mr. Brooks. It is a type of wool that Japan could use?

Secretary Dodd. It is a type of wool that Japan could use. It is a type of wool that is a little bit coarser than most of our textile mills use in this country, unless they are forced to.

Mr. Brooks. So that there is a surplus in this country of wool?

Secretary Dodd. Of that particular type; yes, sir.

Mr. Brooks. Of that particular type. And we are anxious to get rid of our surpluses, of course, during times like this.

Secretary Dodd. That is correct.

Mr. Brooks. The world needs our surpluses.

Secretary Dodd. When I testified earlier I believe I put in the record that of the types of wool from 50 to 58 and finer we have reduced our stocks down to practically nothing, and of our coarser wools, coarser than 50's and 58's, we have no trouble disposing of those. But of the type of wools from 50 to 58 we have increased our stocks in Commodity Credit hands each year since 1943. That is one type of wool that we would like to move, of course.

Mr. Towe. And that wool could be shipped to Japan?

Secretary Dodd. Yes, sir; it could be shipped to Japan.

Mr. Brooks. And it would be establishing a market for wool from this country that before the war we did not have, too.

Secretary Dodd. That is correct. Of course, in times of low income or depression our own manufacturers use more of that particular type of wool. It is wool that you can use in a little cheaper cloth—little cheaper suits, and those things. When out people want to buy a little better product, they demand a little finer wool.

You understand the United States is not self-sufficient in wool, and will not be for many, many years, if ever. We import about two-thirds of the amount of wool we process in this country.

Mr. Brooks. Just certain types.

Secretary Dodd. Just certain types of wool; that is correct.

Mr. Brooks. What about mohair, Mr. Dodd?

Secretary Dodd. There is a good deal of extra mohair in this country at the present time, largely because of the discontinuance by the automobile industry and the furniture-manufacturing industry of using mohair for covering.

Mr. Brooks. You would say that was in surplus supply, then?

Secretary Dodd. No question about it being in surplus supply.

Mr. Brooks. Could not Japan use that under a deal of this sort?

Secretary Dodd. Yes, sir; if the commander could find that he had an outlet for cloth of that particular type. I think that would——

Mr. Brooks. How much do you think Japan could use?

Secretary Dodd. I would have to leave that to the man in charge of the machines in Japan, because they will have to know what they could find a market for in the way of textiles.

Mr. Brooks. Before the war did we have a market for mohair in Japan?

Secretary Dodd. No. We used most of our mohair in this country before the war.

Mr. Brooks. So it would be the establishment of a new market for a new commodity?

Secretary DODD. Right; but they did get mohair from other countries—not from the United States, but from other countries.

Mr. BROOKS. Where did it come from?

Secretary DODD. Mostly from the South Pacific and the Mediterranean.

Mr. BROOKS. I think that is all.

Mr. TOWE. Mr. Bishop.

Mr. BISHOP. Australia has the finest mohair, does it not?

Secretary DODD. Yes, sir.

Mr. BISHOP. Wool as a raw material is sent to Great Britain and brought back here.

Secretary DODD. A lot of it is brought to this country, too. We have bought about two-thirds of the wool that we process from Australia, New Zealand, and South Africa.

Mr. BISHOP. That is all.

Mr. TOWE. Thank you very much.

And thank you, gentlemen, for coming. I hope we will not have to ask you to come again.

Off the record Mr. Reporter.

(The committee continued its deliberations off the record.)

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80TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 2268

# REVOLVING FUND FOR PURCHASE OF NATURAL FIBERS

JUNE 9, 1948.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ANDERSON of California, from the Committee on Armed Services, submitted the following

## REPORT

[To accompany S. 2376]

The Committee on Armed Services, to whom was referred the bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, having considered the same, report favorably thereon with amendments and recommend that the bill S. 2376 as amended do pass.

The amendments are as follows:

On page 1, delete in their entirety lines 3 through 10 and substitute in lieu thereof:

That notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including * * *.

On page 3, line 18, after the word "report" insert "to the Congress".

On page 3, line 21, after the word "Congress" insert "by concurrent resolution".

The purpose of this bill is to provide a revolving fund, to be used as working capital to finance the purchase of natural fibers produced in the United States, in order to guarantee a supply of these raw materials for processing by the textile industries of occupied areas. Cotton and wool will constitute the bulk of the fibers purchased and, to a lesser extent, mohair and flax will also be included. Procure-

ment of these fibers will be made from time to time from domestic stocks, as necessary to satisfy stated mill requirements in occupied areas.

The fund will be administered under the control and supervision of the Secretary of the Army. Moneys made available thereunder may be used not only to finance the purchase of fibers, but also to defray the cost of transportation to occupied areas and the expenses of processing and of sale of finished textiles. Withdrawals will be repaid out of the proceeds of the sale of finished goods manufactured from the fibers purchased. In this manner, it is contemplated that all advances will be reimbursed upon completion of the production cycle. Provision is made for a modest rate of interest on the moneys made available.

So much of the proceeds of sales as remains after repayment of advances from the fund, plus interest, may be used by the Secretary of the Army in whatever manner he shall see fit, for the benefit of the economy of the occupied areas from which they are derived.

The basic objective of this legislation is to assist in the industrial rehabilitation and economic recovery of occupied areas. The reestablishment of the economies of these areas, namely Japan, Germany, and Korea has become a primary concern of occupation authorities. Until these countries are restored to a basis of self-sufficiency, American taxpayers will have to continue to foot a large bill for feeding and clothing their people.

An indication of the far-reaching importance of this proposal, especially for the Japanese economy which will be the primary beneficiary, is contained in the following analysis of Japan's cotton and wool industries.

## COTTON

During the period from 1930 to 1934 the average cotton spindle installation in Japan was 8,170,000 with an average production of 1,148,000,000 pounds of yarn. In 1937 it was 12,190,000 spindles with a prewar peak production of 1,590,600,000 pounds of yarn. On January 1, 1946, 4 months after occupation, the installed capacity was 2,000,000 spindles of which only 190,000 or 8½ percent were operating. At the time of occupation, however, there was scarcely enough cotton on hand in Japan to keep 190,000 spindles moving.

At that time, however, cotton was available in the United States but the Army had no funds which could be utilized for its procurement nor was Japan, because of her bankrupt condition, in a position to finance its purchase. An interim solution to the problem was made possible by the fact that the Commodity Credit Corporation had on hand accumulated stocks of cotton which had been purchased under price support programs going back to 1934. An arrangement was made whereby that agency supplied the cotton from these accumulated stocks on a credit basis providing for payment from the proceeds of sale of the yarns and textiles produced by the industry in the occupied area. Under those credit arrangements a total of 1,254,193 bales of cotton was supplied to Japan and 220,000 bales to Germany. Testimony was furnished to the effect that the Japanese textile industry made a $10,000,000 monthly profit from the cotton thus obtained and processed.

Up to the present time, regular payments have been made, out of the proceeds from the sale of manufactured textiles, for the advances

of raw cotton heretofore made by the Commodity Credit Corporation. Considerably less than half of this loan still remains to be repaid.

The shipments made under the foregoing program have cleaned out the surplus stocks of the Commodity Credit Corporation and hence no more cotton is available from that source. The Japanese textile industry is therefore faced with an acute shortage of the raw materials without which it cannot operate. If additional cotton is not made available immediately to maintain an adequate working stock, that industry will be forced to curtail even its present modest production. This will have a severe effect in retarding Japanese recovery, particularly in view of the importance of the textile industry to the economy of the entire nation. It constitutes over 60 percent of Japan's industrial capacity. On the other hand, if conditions are favorable for its progressive rehabilitation, it is generally believed that the textile industry, because of its preeminent position in the over-all economy, will contribute substantially toward achievement of the ultimate goal of making the Japanese nation self-sufficient.

Considerable progress has been made thus far in the rehabilitation of the Japanese cotton industry, with the result that the number of spindles operating has increased from 190,000 in January 1946 to an estimated 2,434,800 in 1948. Present plans call for an average of 3,500,000 spindles actually operating during 1949 and it is hoped that by June of that year the completed installation of spindles throughout the country will amount to 4,000,000.

## WOOL

A similar situation prevails in case of the Japanese wool-textile industry, which prior to World War II consumed annually between 600,000 and 800,000 bales of wool fiber. Japan at that time was the second or third largest wool-textile-producing nation in the world. Its prewar capacity was based on the operation of 1,628,454 worsted spindles, 732 woolen cards, and 28,812 looms. The installed capacity today is 390,000 spindles, 453 woolen cards, and 10,710 looms, which is considerably less than the eventual capacity contemplated. Increased capacity for this industry is dependent upon the solution of a number of problems, among which one of the most serious is that of securing a continuous inflow of raw wool. The provisions of this bill would make available, for use by the Japanese wool-textile industry, large surplus stocks of wool which the Commodity Credit Corporation now has on hand as a result of purchases under price-support programs. A considerable quantity of these stocks consists of a wool of a fineness of from 50 to 58. While this is a high-grade wool, it is nevertheless a somewhat coarser type than is used by most textile mills in the United States. Because of this circumstance there is a surplus in this country of that particular type. It is a type, however, that the Japanese can readily use for the manufacture of much-needed clothing both in Japan and other countries in the Orient which are potential customers of the Japanese textile industry. Accordingly, the removal of these wool stocks from the hands of the Commodity Credit Corporation will contribute vitally to Japanese recovery and will also relieve the United States of a surplus which at the present time necessarily ties up funds made available for price-support programs, to the extent

that these funds are invested therein. This wool will be made available by the Commodity Credit Corporation at the world price.

Until self-sufficiency is attained, Japan and other occupied areas will continue to represent a financial burden which must be sustained by the taxpayers of the United States. The United States has been paying not only the military costs of occupation, but, in addition, under its international obligation to prevent disease and unrest, has been furnishing food and other relief supplies to keep the Japanese people alive. These relief costs run to nearly $400,000,000 a year. Consequently the United States must face squarely the problem of assisting the Japanese people to becoming self-supporting. Otherwise it will be necessary to continue relief shipments indefinitely, so long as our occupation responsibilities continue. Estimates have been made that savings of $300,000,000 in appropriations for Japanese relief could have been effected if a revolving fund of the type proposed had been in operation since the beginning of the Japanese occupation.

Under this proposed legislation, there is one provision of special significance. This is that the Japanese textile products which will result from the revolving fund may be sold anywhere for any type of currency. However, it is expressly stipulated that in this exchange, enough dollars must be obtained to repay the United States for advances toward the purchase price of raw materials. The effect of this is to permit Japan to move toward normal international trade relations while insuring that she meets the terms of the loan.

Testimony has also brought out two further points of special interest. One is that there is little fear that Japan might return these finished textiles to the United States and compete with domestic industry. The products these funds will make possible will be low-grade textiles and cheap clothing of a type for which there is no domestic market. There is, on the other hand, a huge, war-fed demand for such coarse textiles throughout the Orient. It is anticipated, therefore, that virtually all of the resultant trade will be with that part of the world. This point of view is supported by the American cotton textile industry.

A second point of interest is that the committee was assured that these dollar purchases of raw cotton and wool for Japan will not affect the price of these same products to our domestic users. The quantity to be supplied will be so small, especially in comparison with European Cooperation Administration purchases and shipments, that the price impact will be negligible. Further, the bill itself provides that only those types and grades of wool, flax, and mohair which the Secretary of Agriculture designates as available for export can be purchased with this fund.

The language of section 1 as passed by the Senate is inadequate to provide for the actual availability of the funds necessary to implement this act. Officials of the Treasury Department have indicated that passage of the bill in its present form would necessitate their submitting to the Bureau of the Budget a request for an appropriation at the first submission of a deficiency appropriation request.

To correct this situation an amendment was adopted by the committee which is, in principal, identical with the language of the Foreign Assistance Act of 1948 (Public Law 472). Under this lan-

guage the advance of the necessary funds would be considered as a "public debt transaction" and the funds could then be provided by the Secretary of the Treasury issuing bonds to cover the moneys thus borrowed.

The committee also amended the bill to provide that the annual report required of the Secretary of the Army under section 4 shall be made to the Congress. A further amendment to that section was made providing that the Congress, in determining that the fund is no longer required for the purposes of this act, shall do so by concurrent resolution.

The Committee on Armed Services unanimously recommend that the bill S. 2376, as amended, be favorably considered by the House and that it do pass.

The Department of the Army concurs in the proposed legislation as indicated by the testimony of the Under Secretary of the Army during the hearings.

○

Union Calendar No. 1125

80TH CONGRESS
2D SESSION

# S. 2376

[Report No. 2268]

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IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 1948

Referred to the Committee on Armed Services

JUNE 9, 1948

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

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# AN ACT

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* ~~That, notwithstanding the provisions of any other law, the Secretary of the Treasury is authorized and directed to loan to the Secretary of the Army, at such rates of interest as are necessary to provide full reimbursement to the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000, to be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including

*That, notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including* cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder

as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate

portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report *to the Congress* with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress *by concurrent resolution* shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of scetion 2 of this Act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the

functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.

Passed the Senate April 22, 1948.

Attest: CARL A. LOEFFLER,

*Secretary.*

Union Calendar No. 1125

80TH CONGRESS
2D SESSION

# S. 2376

[Report No. 2268]

# AN ACT

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

APRIL 26, 1948

Referred to the Committee on Armed Services

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Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

# DIGEST OF CONGRESSIONAL PROCEEDINGS

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued June 15, 1948
For actions of June 14, 1948
80th-2nd, No. 108

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HIGHLIGHTS: House and Senate agreed to conference report on agricultural appropriation bill and acted on amendments in disagreement; Senate asked for additional conference on amendment regarding salaries above classification rates. House passed bill to extend social security to certain FCA-agency employees. House passed water-pollution bill. House committee reported TEW housing bill. House Rules Committee cleared selective service bill. Senate made long-range farm program bill unfinished business. Senate passed bill extending Trade Agreements Act. Senate committee reported foreign aid appropriation bill. Senate passed Interior appropriation bill. Senate debated Government corporations appropriation bill. Senate received appropriations for foot-and-mouth disease research, forest flood damage, and golden nematode control. House committee cleared revised Federal pay bill.

## HOUSE

1. AGRICULTURAL APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 5883 (p. 8263).

Concurred in the following Senate amendments: 12, regarding payments to States for research (p. 8264). 13, same subject (p. 8264). 15, meat inspection (p. 8264). 35, Sec. 32 funds (p. 8267). 41, RACC (p. 8267). 42, crop insurance (p. 8267). See Digest 106 for more detailed description of these amendments.

Insisted on disagreement to Senate amendment 1, regarding authority to hire persons at more than the regular classification rates (p. 8263).

On amendment 33, increasing the ACP authorization for the crop-year 1949 from $225,000,000 to $300,000,000: Rep. Dirksen moved that the House insist on disagreement to the amendment. Rep. Cannon offered a preferential motion that the House recede and concur. A motion by Rep. Dirksen, that the House recede from its disagreement, was then agreed to. The House then agreed, 191-179, to a motion by Rep. Dirksen that it concur in the amendment with an amendment to fix the amount at $262,500,000. (pp. 8264-7.)

Later in the day the Senate agreed to the conference report (p. 8357).

The Senate concurred in the House amendment to the Senate amendment 33, regarding ACP (pp. 8357-8).

The same conferees were appointed for a further conference on amendment 1, regarding authorization to pay certain salaries above the regular rates (p. 8357).

2. SOCIAL SECURITY. Passed, 237-2, without amendment H. R. 6777, which would extend social security coverage to employees of production credit associations and national farm loan associations; to employment off the farm in drying, packing, packaging, and similar processing and handling of fruits and vegetables preparatory to marketing; and to employees of agricultural or horticultural organizations exempt from income tax under certain provisions of the Internal Revenue Code (pp. 8216-43).

3. WATER POLLUTION. Passed, 138-14, as reported S. 418, to provide for water-pollution control through the Public Health Service (pp. 8272-83).

4. HOUSING. The Banking and Currency Committee reported without amendment H. R. 6888, which includes the provisions for farm-housing loans and housing research (H. Rept. 2340)(p. 8304).

5. SELECTIVE SERVICE. The Rules Committee reported a resolution for consideration of H. R. 6401, the selective-service bill (p. 8304).

6. FEDERAL PAY BILL. The "Daily Digest" states: "Committee on Post Office and Civil Service instructed chairman to introducedH. R. 6917, to provide for a $360-a-year temporary increase for Federal...employees" (p. D649). See Item 28.

7. TREASURY-POST OFFICE SUPPLEMENTAL APPROPRIATION BILL. Concurred in the Senate amendments to this bill, H. R. 6758 (p. 8214). This bill will now be sent to the President.

8. RECLAMATION. The Public Lands Committee reported without amendment S. 2286, to provide for nonreimbursable allocations on the Carlsbad project (H. Rept. 2336)(p. 8304).

9. FOREIGN AID. Reps. Rayburn and Halleck discussed the possibility of considering S. 2376, to provide for a revolving fund for purchase of agricultural commodities to be processed in occupied areas and sold (p. 8243).

10. FEDERAL PAY BILL. Reps. Rayburn and Halleck discussed the legislative situation regarding this matter (p. 8243).

SENATE

11. DISPLACED PERSONS. Sens. Donnell (Mo.) and Eastland (Miss.) were appointed additional conferees on S. 2242, to authorize the admission into the U.S. of displaced persons (p. 8354).

12. LOANS. The Subcommittee of the Labor and Public Welfare Committee agreed to report to the full committee, with amendments, S. 2790, to provide a secondary market for veterans' home loans (p. D647).

13. BUILDINGS AND GROUNDS. The Expenditures in the Executive Departments Committee submitted a report on "Survey of Space Leased by the Federal Government" (S. Rept. 1617) (p. 8351).

14. NAVY DEPARTMENT APPROPRIATION BILL, 1949. The Appropriations Committee reported with amendments this bill, H.R. 6772 (S.Rept. 1621) (p. 8350).

15. REMOUNT SERVICE. The Armed Services Committee reported with amendments S.2698, to authorize the transfer of horses and equipment owned by the U.S. Army to the N.Mex. Military Institute; one of the horses to be transferred is the property of the Remount Service (S.Rept. 1624) (p. 8350).

man from New York [Mr. REED] to clarify this situation if he will, and if it is not true that this bill does not take anybody out who is now protected.

Mr. REED of New York. No person has been taken out. If they had any rights, they have not been taken out. They have to pay a tax in order to get in, and whatever the Supreme Court did, they had no right to put people in who had never paid a tax. During the cross-examination in committee in the other body, the social-security people had to admit that nobody had been deprived of his rights by the Supreme Court.

The SPEAKER. The question is, Shall the rules be suspended and the bill be passed?

The question was taken; and on a division (demanded by Mr. REED of New York) there were—ayes 237, noes 2.

So, two-thirds having voted in favor thereof, the rules were suspended and the bill was passed.

The SPEAKER. House Resolution 640, without objection, will be laid on the table.

There was no objection.

LEGISLATIVE PROGRAM

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute in order to interrogate the gentleman from Indiana.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. It would appear to me that we have progressed in this program far enough at this time so that the gentleman from Indiana should let us know what bills are going to be brought up under suspension today. Many Members are very much interested.

Mr. HALLECK. Mr. Speaker, I have stated to a number of Members that two bills from the Committee on Veterans' Affairs, one having to do with increased pay for gold-star widows and dependents, the other having to do with an increase in dependency payments and disability payments for service-connected disabilities, will be called up next.

There are a number of bills on which rules have been granted, on which we may move to suspend the rules. There are other measures on which rules have not been granted, on which we may move to suspend the rules. I do not have a complete list. I want to be fair with the gentleman, and I intend to be. We have some conference reports that are pressing for action. How far we will proceed with matters that may be taken up under suspension of the rules I do not know.

I would not want this list to be considered as exclusive of others, because many Members have talked to me. The gentleman has been in the position in which I find myself, and he knows the difficulties involved.

There is a bill called the water pollution bill, on which a rule has been granted (H R. 8418).

There is House Joint Resolution 363, on which a rule has been granted, having to do with certain lands of the Choctaw and Chickasaw Indians.

H. R. 4462, on which a rule has been granted, having to do with lands in Park County, Wyo.

House Joint Resolution 150, to provide for the rebuilding of the Francis Scott Key Monument.

There are two bills from the Committee on Interstate and Foreign Commerce, having to do with shipbuilding assistance and maintenance of the merchant marine, as to which there have been insistent requests that they be considered under suspension of the rules.

There have been suggestions to me that a bill having to do with the international labor organization. Senate Joint Resolution 117, should be called up under suspension.

H. R. 5053, which has to do with the creation of a memorial park in Philadelphia.

There is a bill, S. 1260, having to do with the creation of a commission to investigate certain claims of certain motor carriers.

I do not know whether we can call up all of those bills or whether all of them should be called. I am confident we will have another suspension day later in the session.

Mr. RAYBURN. There are, of course, a great many of those bills that are not very significant, but I hold in my hand one which is, S. 2376, an act to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

Mr. HALLECK. I may say to the gentleman from Texas that the Committee on the Armed Services handed me a list of bills they think should be disposed of by unanimous consent, and some four that it is suggested should be handled under suspension. I have discussed this question not only with the gentleman from New York [Mr. ANDREWS], who is chairman of the committee, but with certain Members on our side and with the gentleman from Georgia [Mr. VINSON], who is the ranking Member on the gentleman's side.

I was careful to suggest that these bills I have read off do not make an exclusive list.

The bill to which the gentleman has referred, having to do with the revolving fund which as I understand is a fund to expedite the shipment of fibers such as cotton and wool to Japan to be processed there into materials, is a bill in which I know there is very much interest and which I understand is urgently desired by certain people.

Mr. RAYBURN. Also I have in my hand the bill (S. 1949) to provide additional compensation for employees in the postal service. I should like to know what the gentleman thinks of the chances of getting that bill up?

Mr. HALLECK. First of all, let me say to the gentleman from Texas that the matter of a pay raise for postal employees has been under active consideration for some time now and is, of course, presently under consideration. I might suggest to the gentleman, and I am quite sure the gentleman understands me, that there have been numerous questions from his side. Some speeches have been made undertaking to criticize the Republican side of the House for not bringing those bills up. I suggest that the gentleman get out the report not only on the postal pay increase, but on the over-all increase for Federal employees. He will find there adverse reports from the Budget Bureau saying that those increases are not in keeping with the President's program; hence, are not approved by the Bureau of the Budget. Now, before—and I am sure the gentleman will understand me——

Mr. RAYBURN. I can make a political reply too, if the gentleman desires.

Mr. HALLECK. Mine is not a political statement because, after all, we are trying to do our job up here, and, of course, we have had a lot of vetoes. I do not know whether with this report from the Budget Bureau these measures would be vetoed or not; but, certainly, it can be fairly said that in contemplation of those measures the Congress ought to take into consideration that the President, speaking through the Bureau of the Budget, has recommended against them. That is not to say that the matter of postal pay is not under consideration and my opinion about it is that action will be taken in the House of Representatives.

Mr. RAYBURN. Is it the opinion of the gentleman, then, that the House will be given an opportunity to pass on the bill for the revolving fund and for the raise in pay for at least some Federal workers before the week is over?

Mr. HALLECK. I would say to the gentleman that that is my best judgment about what will transpire in the balance of the week.

In response to the gentleman's question I would say to him that my best opinion at the moment is that there will be opportunity in the House to consider those matters.

Mr. RAYBURN. One thing further. I did not know until just now that the leadership on the Republican side looked upon the budget estimates as sacrosanct or anything like that. May I ask the gentleman if he intends to bring before the House this week the housing bill?

Mr. HALLECK. That is another matter which is under consideration. What will happen I do not know.

Mr. RAYBURN. And what will happen to the tax bill?

Mr. HALLECK. That is not a tax bill, if I understand the gentleman correctly. That bill has to do with revision of the Internal Revenue Code. I understand, although I may be in error, that a rule has been granted. Whether or not that measure will come up for consideration in the days remaining here I am not prepared to say at this time.

EXTENSION OF REMARKS

Mr. McGREGOR asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. MASON asked and was given permission to extend his remarks in the RECORD.

Mr. ANGELL asked and was given permission to revise and extend his remarks and include extraneous.

Mr. GAMBLE asked and was given permission to extend his remarks in the RECORD and include a newspaper item.

Mr. BONNER asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. HARRISON asked and was given permission to extend his remarks in the RECORD.

Mrs. DOUGLAS asked and was given permission to extend her remarks in the RECORD in five instances and include excerpts.

Mr. MICHENER asked and was given permission to extend his remarks in the RECORD in two instances and include an editorial in each instance.

Mr. CASE of South Dakota asked and was given permission to extend his remarks in the RECORD.

Mr. HOFFMAN asked and was given permission to extend his remarks in the RECORD on four subjects and include excerpts.

## ADDITIONAL COMPENSATION TO WIDOWS AND OTHER DEPENDENTS OF CERTAIN VETERANS

Mrs. ROGERS of Massachusetts. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2825) to provide additional compensation to widows and other dependents of certain veterans, with an amendment I send to the desk and shall ask the Clerk to read, which amendment is to strike out all after the enacting clause of the Senate bill and insert the provisions of H. R. 3748 containing amendments.

The Clerk read as follows:

*Be it enacted, etc.*, That the following rates of compensation are hereby established for surviving widows, children, and dependent parents of deceased veterans of the World War I or World War II whose deaths are the result of service in such wars, or the results of contingencies provided for in United States Code, title 38, sections 501a, 501a–1, and paragraph 4, part VII, Veterans Regulation 1 (a), as amended:

Widow but no child, $75; widow with one child, $115, with $20 for each additional child (subject to apportionment regulations); no widow but one child, $50 with $20 for each additional child (total amount to be equally divided); dependent mother or father, $75; dependent mother and father, $40 each.

SEC. 2. Such compensation shall not be diminished by reason of other benefits allowed by other provisions of law.

SEC. 3. Notwithstanding any other provision of law or veterans regulation, for the purpose of payment of compensation under laws administered by the Veterans' Administration, one parent whose annual income does not exceed $1,800, or two parents whose annual income does not exceed $3,000, shall be deemed to be dependent. In determining annual income any payments made by a parent for expense of last illness of the veteran and such expense of burial of the veteran as exceeds the amount of the allowance authorized by Veterans Regulation No. 9 (a), as amended, shall be excluded and any payments by the United States Government because of disability or death under laws administered by the Veterans' Administration shall not be considered nor shall life-insurance payments from any other source, including income therefrom in an amount less than $3,000 received in any 1 year, be considered.

SEC. 4. This act shall become effective on the first day of the second month following the date of its enactment; *Provided*, That no compensation shall be reduced or discontinued by the enactment of this act.

The SPEAKER. Is a second demanded?

Mr. RANKIN. Mr. Speaker, I demand a second.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks on the bill H. R. 3748.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, H. R. 3748 was reported by the Committee on Veterans' Affairs on July 24 of last year. I think every Member here is overjoyed that it has at last come to the floor of the House for action. I doubt if the Members want to debate it. There is not a Member here that does not want to have the dependents and orphans of World Wars I and II receive an increase in their compensation. These are service-connected-disability cases.

The purpose of H. R. 3748 is to increase rates of compensation presently paid to surviving widows, children, and dependent parents of deceased veterans of World War I or World War II whose deaths were the result of service in such wars. The following table shows the increases provided by this bill:

| | Existing law | H. R. 3748 |
|---|---|---|
| Widow but no child | $60.00 | $75 |
| Widow with 1 child | 78.00 | 115 |
| Widow with 2 children | 93.60 | 135 |
| Widow with 3 children | 109.20 | 155 |
| Widow with 4 children | 124.80 | 175 |
| Widow with 5 children | 140.40 | 195 |
| No widow but 1 child | 30.00 | 50 |
| No widow but 2 children | 45.60 | 70 |
| No widow but 3 children | 57.60 | 90 |
| No widow but 4 children | 69.60 | 110 |
| No widow but 5 children | 81.60 | 130 |
| Dependent mother or father | 54.00 | 75 |
| Dependent mother and father, each | 30.00 | 40 |

It is believed that existing rates to widows, children, and dependent parents of veterans are inadequate, especially in view of prevailing economic conditions and the high cost of living.

Section 3 defines a dependent parent as one whose annual income does not exceed $1,800 or $3,000 in the case of two parents. In determining annual income, the following items in addition to those not now counted would be excluded: Payments made for the expense of last illness of the veteran and expense of burial over and above the amount ($150) provided by Veterans' Administration regulations; and commercial life insurance including income therefrom in an amount less than $3,000 received in any 1 year. This income definition will simplify the adjudication of claims of dependent parents and provide a clear and definite rule for determining dependency.

It is estimated that the bill will affect dependents of 76,000 World War I veterans at a cost of $19,219,000; dependents of approximately 249,000 World War II veterans would be affected at a cost of $80,277,000, making a total cost for the first year of $99,496,000.

Does any Member wish any time or does the House wish to vote on it immediately?

Mr. Speaker, I yield 10 minutes to the gentleman from New Jersey, Judge MATHEWS, the author of the bill and the chairman of the subcommittee that reported out the bill.

Mr. MATHEWS. Mr. Speaker, I will not take the 10 minutes unless it is necessary. I would like to expedite the business of the House. I think most of the Members are familiar with the provisions of this bill. I shall be very glad to try to answer any questions in the minds of the Members.

Mr. CASE of South Dakota. Mr. Speaker, will the gentleman yield?

Mr. MATHEWS. I yield to the gentleman from South Dakota.

Mr. CASE of South Dakota. I merely wish to say that I think this is the one piece of veterans' legislation which ought to be passed at this session above all others, when you look at the over-all picture so far as giving justice is concerned. I certainly want to congratulate the gentleman on bringing the bill out and the committee for reporting it.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. MATHEWS. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. I think the gentleman should tell the House just exactly what the bill does and explain what class of dependents it affects and the amount of increase.

Mr. MATHEWS. I will be very glad to do that, Mr. Speaker.

The bill now before us, H. R. 3748, is designed to increase compensations for widows, children and dependent parents of veterans of World War I and World War II whose deaths are the result of service in those wars, or attributable to an injury or aggravation of an existing injury as a result of having submitted to an examination or as the result of training, hospitalization or medical or surgical treatment awarded under existing law or Veterans Regulations, or the result of the pursuit of a course of vocational rehabilitation as provided therein.

In brief, it raises a widow from her present amount of $60 per month to $75 per month, and increases the compensation to a widow with one child from the present amount of $78 to $115. For a widow with two or more children, there is granted $20 for each child subject to apportionment regulations.

Where the deceased veteran leaves no widow but one child, the amount is raised from the present $30 to $50, with $20 added for each additional child, the total amount to be equally divided. Where the deceased veteran leaves a dependent mother or father, the present allowance of $54 is increased to $75 and where there

18. HOUSING. Passed, 318-90, as reported H. R. 6959, the housing bill, without the rural-housing title (pp. 9022-47).

19. SELECTIVE SERVICE. Passed, 283-130, with amendments S. 2655, the selective-service bill (pp. 8986-8). Conferees were appointed (p. 8988).

20. ARMY MILITARY APPROPRIATION BILL. House conferees were appointed on this bill, H. R. 6771 (p. 8986).

21. DISPLACED PERSONS. Agreed to the conference report on S. 2242, to permit entry of 200,000 displaced persons into the U. S., of whom at least 30% must be farm workers (pp. 9004-13).

22. INTERIOR APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6705 (pp. 8998-9).

23. FOOD AND DRUG ADMINISTRATION. Agreed to the conference report on H. R. 4071, to increase the powers of this agency regarding seizures of foods, etc. (pp. 8996-7). This bill will now be sent to the President.

24. FOREIGN RELIEF. Passed as reported S. 2376, to provide a revolving fund for purchase of agricultural commodities and raw materials to be processed in occupied areas and sold (pp. 9078-81).

25. WATER POLLUTION. Agreed to the conference report on S. 418, to provide for water-pollution control through the Public Health Service (p. 9013).

26. RECLAMATION. Concurred in the Senate amendment to H. R. 3218, authorizing an emergency fund for the Bureau of Reclamation to assure continuous operation of its projects (p. 9015). This bill will now be sent to the President.

27. POSTAL RATES. Passed as reported H. R. 6916, to provide for permanent postal rates and additional compensation for certain P. O. employees (pp. 9052-66).

28. SUPPLEMENTAL INDEPENDENT OFFICES APPROPRIATION BILL. House conferees were appointed on this bill, H. R. 6829 (p. 9073).

29. AGRICULTURE INVESTIGATIONS. Agreed, without amendment, to H. Res. 676, providing $5,000 for the AgricultureCommittee (p. 9086).

30. COMMODITY-EXCHANGE INVESTIGATION. Agreed, without amendment, to H. Res. 674, providing $10,000 for the Andresen Committee (p. 9086).

31. VIRGIN ISLANDS. Passed, 132-9, as reported H. R. 5904, to incorporate the Virgin Islands Corporation (pp. 9087-91).

32. RECLAMATION. Agreed to the conference report on H. R. 5416, to promote the interest of the Fort Hall Indian irrigation project, Idaho (p. 9103).

33. COMMODITY SPECULATION. Rep. Rankin, Miss., discussed the charges against Linder, MacDonald, and Harris (p. 9105).

34. FOREST LANDS. The Public Lands Committee reported without amendment S. 580, to transfer certain O&C lands from the Forest Service to the Interior Department (H. Rept. 2413)(p. 9107).

35. PERSONNEL; ECONOMY. The Post Office and Civil Service Committee submitted a

report on the relation of new functions of the departments and agencies to increased civilian employment in the executive branch (H. Rept. 2412)(p.9107).

36. DISASTER RELIEF. Passed S. 2877, providing $10,000,000 additional authority for disaster loans by RFC (p. 9092). The Senate version would have provided $20,000,000 additional.

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37. SELECTIVE SERVICE. Both Houses agreed to the conference report on S. 2655, the selective-service bill; the House vote was 259-136 (pp. 9137-71, 9357-81). This bill will now be sent to the President.

38. INTERIOR APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6705 (pp. 9171-3). This bill will now be sent to the President.

39. CCC CHARTER. Conferees on this bill, S. 1322, were appointed in both Houses (pp. 9173-5, 9376-7).

40. WATER POLLUTION. Agreed to the conference report on S. 418, to provide for water-pollution control through the Public Health Service (p. 9175). This bill will now be sent to the President.

41. DISPLACED PERSONS. Agreed to the conference report on S. 2242, to permit entry of displaced persons into the U. S. (pp. 9176-88, 9190-6). This bill will now be sent to the President.

42. GOVERNMENT CORPORATIONS APPROPRIATION BILL. Both Houses agreed to the conference report on this bill, H. R. 6481, and acted on disagreement amendments (pp. 9177, 9188-90, 9263, 9339-53). This bill will now be sent to the President. As finally passed, the bill includes changes as follows: Authorizes payment by the Federal intermediate credit banks to FCA of not over $330,000 (House, $373,600; Senate, $223,600). Authorizes not over $1,500,000 for administrative expenses of the production credit corporations (Senate figure; House, $1,350,000). Provides that the production credit corporations shall return Government capital of at least $30,000,000 (House, $60,000,000; Senate, $20,000,000), and that such capital be carried to the surplus fund of the Treasury instedd of being returned to the corporations revolving fund, as proposed by the Senate. Authorizes not over $146,800 for RACC administrative expenses (Senate figure; House, $46,800). Authorizes payment by RACC to FCA of not over $21,000 (Senate figure; House, $12,500). Does not include the Senate provision for a $12,000 salary for the FCA Governor. Retains the fur-farmer loan provision in modified form. Strikes out TVA steam-plant provision.

43. VIRGIN ISLANDS. Conferees were appointed, in both Houses, on H. R. 5904, to incorporate the Virgin Islands Corporation (pp. 9182, 9378).

44. SECOND DEFICIENCY APPROPRIATION BILL. Passed with amendments this bill, H. R. 6935 (pp. 9217-26). Conferees were appointed in both Houses (pp. 9226,9353). In addition to the committee amendments, agreed to an amendment by Sen. Murray, Mont. (for himself and Sens. Hill and Ball), to provide $450,000 additional for administrative expenses of REA (pp. 9222-3).

45. INDEPENDENT OFFICES SUPPLEMENTAL APPROPRIATION BILL. Both Houses agreed to the conference report on this bill, H. R. 6829 (pp. 9264, 9353-5). This bill will now be sent to the President. The conferees eliminated the Senate amendment

Governor Warren of California and also from Republican Governor Sam Ford of Montana.

ANSWERED

The House Interior Appropriations Subcommittee held hearings covering a period of 3 months. At the close of the House hearings Secretary Krug himself stated, "Our people do appreciate the fair and thorough hearings that your committee has conducted during the past 11 weeks. Without exception they have reported that they have had both courteous and attentive consideration and a complete unbridled opportunity to lay the facts before the committee." (House hearings, Interior Department appropriation bill, pt. 1, p. 1053.) Irrespective of what the newscaster reports, not a single Congressman who wanted to be heard in the House was denied that opportunity. Governor Warren of California and Governor Ford of Montana could have appeared had they so desired. Since they did not request time, it is obvious that they did not wish to testify. Contrasted with the opportunity given to any and all witnesses to appear during the House hearings, the Senate Appropriations Committee, in order to accomplish its task and to expedite the enactment of this annual supply bill, found it necessary to limit witnesses, other than department witnesses, to 5 minutes each, and the hearings in the Senate covered 4½ days, compared to 11 and 12 weeks' time in the House.

CHARGES

Now the whole business has such a rotten look to it and the Senate hearings so effectively exposed the rottenness for anyone who cared to listen, that there is some hope that this most successful of all the special interest raids against constructive Government projects will fail. But it needs a lot of publicity still.

ANSWERED

This slur against the processes of the Congress of the United States cannot go unchallenged. It is apparent that this broadcaster has never realized that Government agencies can constitute a special interest group fully capable of raiding the United States Treasury and sticking its hands deep into the pockets of the United States taxpayers. It is hardly rotten for House committees and the House to take every action within its power to protect the interests of the American taxpayers and the solvency of the United States Government and the Nation's credit.

This bill as it passed the House made $375,692,000 available for the fiscal year 1949. This means that the House pared the budget estimate $84,293,000 and prevented a special interest raid of that amount. But, even so, the bill makes $112,876,000 more available for use in 1949 than was provided in last year's bill, an amount which compares with $172,000,000 made available in the fiscal year 1940, the last full fiscal year before the beginning of the national defense program.

CHARGES

The minority whip, JOHN MCCORMACK of Massachusetts, said of this legislation and these are his words, "It gives off a strange odor. It's the odor of the power lobby." To the general public the whole rotten business can be summed up in three words for even those with the least sensitive olfactory equipment. And those three words are "It smells bad." And I could sum it up in two words but I have to keep decency in mind.

ANSWERED

Instead of quoting the Democratic minority whip, the broadcaster might have quoted Democrats who are definitely pro-Interior. For example, Representative MURDOCK, Democrat, of Arizona, said:

I want to say to the gentleman how earnestly this subcommittee has worked. I recall coming before this committee late one day and having to wait 2 hours until a dozen other witnesses were heard. But the gentleman and his committee remained long after hours to hear my constituents, for which I want to express my appreciation. (CONGRESSIONAL RECORD, May 27, 1948, p. 6776.)

Representative KIRWAN, Democrat, of Ohio, and a member of the subcommittee said:

I * * * want to congratulate the Subcommittee on Interior Appropriations and the majority members of that committee. They were very gracious and granted the minority members all the time they wanted to interrogate any witness who appeared before the committee. I am very appreciative of their courtesy. Generally speaking, I think this is a good bill. There are some things in it with which I do not agree and to which I shall call attention. (CONGRESSIONAL RECORD, May 27, 1948, p. 6778.)

Representative GORE, Democrat, of Tennessee, and also a member of the subcommittee said:

The distinguished gentleman who is the chairman of the subcommittee, the gentleman from Iowa [Mr. JENSEN] has labored long and diligently. For many, many weeks we have been sitting long, long hours daily studying the many problems affected by this bill. The distinguished gentleman has been thoroughly fair and considerate of the minority members as well as his colleagues on the majority. * * * We members of the minority have served as a backstop. Our opinions, though they have not prevailed in some of the fundamentals of the bill, have, I think, been taken into consideration. Upon most points in the bill, though in some cases reluctantly, we find ourselves in agreement. (CONGRESSIONAL RECORD, May 27, 1948, pp. 6785–6786.)

Representative JACKSON, Democrat, of Washington, said:

It was my pleasure to have the privilege of serving temporarily with the subcommittee in connection with the marking up of a portion of the bill under consideration today. The distinguished chairman of the subcommittee, the gentleman from Iowa [Mr. JENSEN], painstakingly considered all items of the bill, as did other members of the committee. I know that the chairman did his utmost to give fair and equitable consideration to all matters before the committee. (CONGRESSIONAL RECORD, May 27, 1948, p. 6793.)

*Interior Department appropriation bill, 1949*

| | |
|---|---|
| Amount of budget estimates including supplementals | $474,773,835 |
| Amount of bill as agreed to by conferees | [1] 407,836,497 |
| Bill is under Budget estimates | 66,936,861 |

[1] And in addition, contract authorizations totaling $48,947,500.

| | |
|---|---|
| Amount of budget estimates considered by House | $459,970,835 |
| Amount of bill as passed House | 375,692,591 |
| House bill under budget estimates | 84,278,244 |
| Amount of budget estimates considered by Senate | 474,773,835 |
| Amount of bill as passed Senate | 422,179,098 |
| Senate bill under budget estimates | 52,594,737 |

Total number of witnesses on bill, 424.

Total number of pages of printed hearings, 4,707.

Eleven successive weeks were consumed in hearings, 5 days each week from 10 a. m. to 6 p. m. each day. After which the committee sat in executive session to determine the amounts allowed for the thousands of items in the budget request for the whole Department of Interior functions.

Data in connection with hearings on reclamation.

There were 33 hearings with representatvies of the Department covering a period of 17 days.

A total of 44 departmental witnesses were heard, including 27 from the field.

Other witnesses heard in connection with reclamation matters are as follows:

| | |
|---|---|
| Senators and Members of the House | 42 |
| Outside groups | 82 |
| Total | 124 |
| Total number of witnesses, including departmental representatives | 168 |
| Pages of hearings: | |
| With department | 1,149 |
| With Members and outside groups | 729 |
| Total number of pages | 1,878 |

Of all the persons appearing before the committee in connection with reclamation matters not a single witness expressed opposition to reclamation in the Western States as such, and I am sure I am correct in stating that of the 42 Members of Congress who appeared, not one appeared in opposition to any project.

A number of REA officials appeared and representatives of municipalities and people from every walk of life who were interested in more funds for reclamation, power, irrigation, and other activities located mainly in the western part of the country. Not a single person was denied a hearing or unduly limited as to time. Many persons were heard on several different subjects and one departmental witness, Mr. Wright, the Southwestern Power Administrator was heard on three separate occasions.

APRIL 23, 1948, PART 3

Mr. JENSEN. All right; is there anything else?

Mr. WRIGHT. Mr. Chairman, I thank the committee for letting me appear before you again, and I appreciate your cooperation.

Mr. JENSEN. Of course, Mr. Wright, you realize that we have extended a privilege to you that is not customary, by permitting you to come back before the committee the second time. However, because of the complexity of this controversy, the committee felt that you should have an opportunity to discuss the things which you had discussed

before the committee on your first appearance, and I want to thank you for coming before the committee.

Mr. WRIGHT. I certainly appreciate it, Mr. Chairman.

MAY 14, 1948, PART 3

Mr. JENSEN. Mr. SCHWABE, do you have any questions?

Mr. SCHWABE. Yes. Mr. Wright, of course, we appreciate your being here. This is the third time you have been before the committee in this series of hearings, and this committee, I say without fear of successful contradiction, has given you more consideration and extended you more courtesy than has been extended any other Bureau or group that appeared before us.

Mr. WRIGHT. I appreciate that.

Mr. SCHWABE. This hearing today was due to the fact that you apparently wanted to furnish the committee with information which, I think you utterly failed to furnish at former hearings.

I think that we all know that you are here because you were advised that the committee was not satisfied, that you had made a showing that would justify this committee in appropriating the amount you requested.

We are glad you are here. I personally was the first member of this committee to suggest that you be given this opportunity, and I am glad of it, and happy to have you here.

I want to say, however, that there are some things in this telegram that you sent in that we were not able to understand, and do not understand yet.

Mr. WRIGHT. I want to clear them up.

Mr. SCHWABE. That is the reason we have extended this unusual privilege and opportunity to you of being here today.

Mr. STRAUS. We are now drawing to the close of an outstanding hearing. I have been sitting here keeping statistics during this hearing, and I see that this is the end of the thirty-third session on reclamation alone. Reclamation said, as this hearing opened, it looked forward confidently to a helpful hearing, and that the more thorough the hearing was the greater would be the benefit to the Bureau of Reclamation and to the United States. Expectations have been more than fulfilled by this hearing. I say that now, and I want to say it on the record. I do not want it to inhibit the committee from remembering that we are also asking for money when they go to mark up the bill.

This is the first time that we have brought in such a group of field officials. I want the record to show that I consulted with the chairman of the committee, and that we were glad to bring these officials to Washington. We feel it was very worth while from the point of view of the Bureau of Reclamation as well as from the point of view of the committee and the Congress to have those officials come to Washington. You may be interested in knowing that for the purposes of this hearing 27 field officials came to Washington from the reclamation areas, including regional directors, assistant regional directors, and others. Perhaps 16 or 17 people were here from the Washington office. I am only citing Bureau of Reclamation witnesses at this hearing.

The able clerk, who has educated more Reclamation Commissioners than he has before him at the present time, tells me that during these hearings far larger numbers of witnesses who are not members of the Bureau of Reclamation appeared than appeared on this hearing, which is a hearing on the largest budget that has ever been submitted.

The Bureau of Reclamation alone, the out-of-town regional and field officials, traveled a total of 135,000 miles to make an appearance here. They were glad to do so, and the Bureau of Reclamation was glad to have them do so. I would also like to mention that approximately 1,500 square feet of maps were drawn for this hearing. For the Reclamation Bureau witnesses alone the transcript numbered over half a million words, and I think we had some 700 man-days of time of Bureau employees used in connection with these hearings alone, all of which is considerable. Whatever the cost, the Bureau of Reclamation feels that it is a very good investment and it was glad to make that investment. I think that more information has been submitted to this committee at this hearing than any other hearing that I am familiar with in my 16 years of attending hearings. I think that this has been a better hearing than any hearing that I have attended for perhaps 16 years. This is not a task or a burden only for the Bureau of Reclamation, but the Bureau wants to recognize fully that it is an equally heavy task and a burden on the members of this committee and the Members of Congress that have sat patiently through these long sessions and treated us with such courtesy and understanding and sympathy, and also with an increased knowledge of our problems gained not only during these hearings but during the trip that was made last summer.

In conclusion, I want to say that I would like to thank you on behalf of the Bureau of Reclamation for the way in which these hearings were conducted, and to state that in our opinion these hearings were fine, full, and fair, and we were delighted to participate in them. We look forward to the result of these hearings, Mr. Chairman.

Mr. JENSEN. Thank you, Mr. Straus.

In response to that very glowing and interesting analysis of the hearings and the things that go with it, I have only this to say: The three members of the committee, Mr. SCHWABE, Mr. FENTON, and myself, who made the extended trip to the Western States last year said on every occasion where we made stops—we made little talks numbering a little over 100—the purpose of our trip was for one thing, and one thing alone. That purpose was to see with our own eyes and to hear with our own ears the things that were important to the development of the work. We had but one purpose in mind, and when the time came to consider an appropriation for the many and varied projects, not only the Bureau of Reclamation but every branch of the Interior Department, we would give full and careful consideration to the requests of the Department for every branch of that Department, and for every project.

We also stated that we would go into the matters pertaining to each case thoroughly and completely in an attempt to acquaint ourselves and get full information from the officials of the departments and from such other people as would be interested in any matters pertaining to the duties of the Department of the Interior and the Congress of the United States.

We also stated that we felt that up to that time we had done everything we could, and we will continue to do and carry out the promises made to those people.

When we mark up this bill we will stand by our word. Of course, it is customary to mark up this bill in about 3 days, but I can readily see where we will spend not only 3 days but a week, or possibly longer, in going through each one of these items and talking it over among ourselves in executive session, trying as best as we can to determine what is the right and proper figure, as near as humanly possible, to allow for each item.

Gentlemen, I again assure you that we will carry through and that we recognize the responsibility that rests on the shoulders of the members of this committee. I know that you recognize the responsibility that rests on our shoulders in asking for the American people insofar as the expenditures of money is concerned, as it pertains to this committee. Without a doubt, we will reduce some items, and possibly raise a few even over and above the budget requests. After all, we feel that it is the duty of this committee to use its own judgment to some degree, regardless of what the budget has sent up as a requested appropriation. However, we do not expect to deviate very far from those requests in raising items to any great degree from what the Bureau of the Budget has requested.

I am sure that I speak for all members of the committee, who act pretty much in unison, in the final analysis, when we get into executive session. Of course, we have some pretty hot arguments about certain items in the bill, but we always have. I suppose that we will have those arguments this time. That is merely a difference of opinion, and we try our best to have a meeting of the minds so that when we bring this bill to the floor of the House it will be in such form that the committee will be in as complete accord as possible on each item.

Gentlemen, I want to say that I am very appreciative, and I know that I speak for the other members of the committee when I say that. I believe we are all appreciative of the manner in which you have presented your requests to this committee, and the desires that you have shown to give us the information that we requested. We shall now live in hopes that some of the things we had been critical of, rightly or wrongly, will be corrected. If we have been wrong, it has been a mistake of the mind, and not of the heart, because we have no ax to grind other than to do a good job for the American people. I am inclined to feel that that is your purpose. While there are certain individuals that would like to take a broadside at the Members of Congress on occasions, after all, we are all human and must live as best we can in peace and harmony so long as we treat each other as friends and neighbors, and we will get along in this great America of ours.

That is all I have. Thank you, gentlemen.

## EXTENSION OF REMARKS

Mr. SARBACHER. Mr. Speaker, I ask unanimous consent to extend my remarks immediately following the passage of the bill H. R. 6774.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

## REVOLVING FUND FOR PURCHASE OF NATURAL FIBERS

Mr. TOWE. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2376) to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, as amended.

The Clerk read as follows:

*Be it enacted, etc.*, That, notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing,

and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

SEC. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within 15 months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) So much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this act the Secretary of the Army shall make a complete report to the Congress with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this act, or at such earlier time as the President or the Congress by concurrent resolution shall determine that the fund is no longer required for the purposes of this act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this act.

Mr. VINSON. Mr. Speaker, I demand a second.

Mr. TOWE. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

The SPEAKER. The gentleman from New Jersey is recognized for 20 minutes and the gentleman from Georgia for 20 minutes.

Mr. TOWE. Mr. Speaker, I yield myself 3 minutes.

The SPEAKER. The gentleman from New Jersey is recognized for 3 minutes.

Mr. TOWE. Mr. Speaker, this bill is offered for the purpose of setting up a revolving fund to aid the textile industries, mostly wool and cotton, in Japan and Germany, countries we now occupy, to aid in their rehabilitation effort.

It is costing the taxpayers of this country today approximately $400,000,000 to help support these people. The purpose of this bill is to establish a revolving fund which may be used from time to time to purchase raw materials for shipment to those countries, under control of the Army and other Government agencies, to be converted into fabrics by the Japanese and German people who work in the mills. This would give employment to people in an industry which represents about 60 percent of their economy.

Before the war Japan furnished a large market for our surplus cotton. That is another purpose of the bill, to help reestablish that market. We have today in this country under control of the Commodity Credit Corporation a large stock of raw wool for which there is apparently no use in this country because it is a kind that our own manufacturers do not use. The bill requires that before any material can be purchased in the open market in this country that CCC stocks will have to be used. That would convert that stock pile into cash and return that money to the Treasury. The bill is meritorious in that respect and has the unanimous support of the Committee on the Armed Services of the House. It was passed in the Senate without a dissenting voice.

Mr. VINSON. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER. The gentleman from Georgia is recognized for 5 minutes.

Mr. VINSON. Mr. Speaker, I want to say just a few words about this bill because it is a very important bill. It is important not only from the standpoint of the industrial rehabilitation of the occupied areas but it also directly affects the pocketbook of every American taxpayer.

What this bill does is to set up a revolving fund under the control of the Secretary of the Army. This fund will be used to finance the purchase of natural fibers produced in the United States—cotton, wool, mohair, and flax fibers. These fibers can then be shipped to Japan, Germany, and other occupied areas where they will be processed by the textile industries of those countries. The finished goods may then be sold either in those countries themselves or exported to other nations. The money borrowed from the revolving fund will then be returned to the fund out of the proceeds of these sales. In this way the textile industries of occupied areas will be provided with working capital which they do not now have and which they need very badly.

I want to make it clear at the outset that this bill does not mean that we are going to give away $150,000,000. This is a business proposition, and we expect that every cent will be repaid to the fund. We expect, moreover, that a substantial profit will accrue from the proceeds of sales over and above what is necessary to repay the fund. These profits may be used by the Secretary of the Army in any manner he sees fit for the benefit of the occupied areas from which they are derived.

Now, let us see why this bill is important to the taxpayers of the United States.

At the present time, we are appropriating approximately $400,000,000 a year to cover the cost of relief shipments of food and other necessities of life to Japan. We have to do this because Japan today cannot feed herself. Japan has always been a deficiency nation. She has never been able to produce more than 80 percent of her total food requirements. Therefore, in order to feed her people, it has always been necessary for Japan to engage in foreign trade in order that she may buy from other nations the foodstuffs to make up her own deficiencies at home. This was true before the war and is still true today. But in order to engage in foreign trade she must produce commodities for which there is a demand in other countries, so that she may have something to offer in exchange in foreign markets for the food she needs at home. Because every inch of Japanese soil is devoted to the cultivation of foodstuffs for home consumption, Japan cannot hope to produce agricultural commodities in large volumes for export. And so, quite naturally, Japan turned many years ago to the development of her manufacturing industries. She had to do this in order to provide herself with purchasing power in international trade; she also had to do this to provide employment for her own people because there is just not enough land in Japan to keep all the Japanese people occupied in agricultural pursuits.

Before the war the cotton and woolen textile industries were the leading manu-

facturing industries of Japan. Manufactured cotton goods were Japan's principal export products. Japan was the most important customer of the American cotton farmer, and raw cotton and wool were her leading imports. With the textile commodities which she produced, she was able to buy from other nations the foods which she required at home, and also the raw materials to keep these industries operating so that she could produce these manufactured goods for export.

The importance of the textile industry to Japan cannot be overestimated. It accounts today for over 60 percent of the industrial capacity of the entire nation. Yet today, Japan has only 2,000,000 cotton textile spindles operating as against 12,000,000 in 1937. Today there are 203,000 laborers employed in her cotton textile industry. By a process of simple arithmetic it is easy to see that with 12,000,000 spindles—the capacity of the cotton textile industry in 1937—about six times as many people could be employed, or about 1,200,000.

The industrial rehabilitation of Japan is and has been a primary concern of the occupation authorities. Until self-sufficiency is obtained, Japan and other occupied areas will continue to represent a financial burden which must be sustained by the taxpayers of the United States. Under our international obligation to prevent disease and unrest, we must furnish food and other relief supplies to keep the Japanese people alive. These relief costs, which run to nearly $400,000,000 a year, must be met in addition to the purely military costs of occupation. Consequently, we must face squarely the problem of assisting the Japanese people to become self-supporting. Otherwise we will have to continue relief shipments indefinitely.

One of the principal handicaps which has been faced by occupation authorities in their attempts to bring about economic recovery in occupied areas is the lack of a supply of working capital. This bill will provide the means of obtaining that working capital, and I might say that it has been estimated that savings of $300,000,000 in appropriations for Japanese relief could have been brought about in the past if we had had a revolving fund of this type in operation beginning on VJ-day.

The main reason why this working capital is so important is because Japan and the other occupied countries now have no means of financing purchases of raw materials. These countries are bankrupt; their production is virtually at a standstill; they do not have the purchasing power in the form of exportable commodities with which they can enter foreign markets to buy these raw materials. In Japan, in particular, the textile industry will have to shut down unless working stocks of raw cotton and wool are made available immediately. This will mean more unemployment, more relief shipments, and ultimately more money out of the American taxpayer's pocket.

Considerable progress has been made since the occupation began in the rehabilitation of the Japanese textile industry. This progress has been possible because surplus stocks of cotton held by the Commodity Credit Corporation have been made available. This cotton has been furnished on a credit basis with payment being made from the proceeds of sale of finished goods, in very much the same manner as will be done under the revolving fund. These shipments of cotton provided an interim solution to the problem of obtaining working stocks of raw material—a solution, incidentally, which circumvented for a time the difficulties resulting from the absence of working capital. By now these surplus stocks have been exhausted, and a new method of financing must be provided to finance raw material purchases.

Experience under the CCC program has demonstrated that the Japanese textile industry can and will operate at a profit. Under that program, its average net profits per month have been $10,000,000, and there is every indication that these profits will continue if the textile mills can be assured of working stocks.

Some of the Members may ask if there is not a danger that the textiles produced by the mills of Japan will find their way back to compete with our own textile industry. This fear is absolutely without foundation. Testimony was received from representatives of the cotton textile industry who told the committee that they too had formerly shared this fear. But they went on to say that after careful study of the problem they had come to realize that no question of competition was involved, but rather, the question of survival of the Japanese industry. They pointed out that the products of Japanese mills are of a cheaper quality for which there is no demand in the United States, but for which there is a crying need in India, China, the Philippines, and other countries of the Far East. These were the countries in which Japan sold the bulk of her textile exports before the war. These are the countries from which Japan can obtain copra, rice, and other raw materials vital to her recovery. She can also barter these textiles for rubber and tin which we need in this country, and which can in turn be sold to American purchasers in exchange for dollars with which to repay withdrawals from the revolving fund. I might add that the bill provides that this fund can be terminated at any time by the President or by the Congress, by concurrent resolution. Thus, if Japanese industry ever develops to a point where competition becomes a threat, we can call a halt to this program immediately.

I want to say also that there is no danger that purchases of cotton, wool, mohair, or flax under this fund will raise the domestic prices of these fibers. The quantities of these shipments will be insignificant in comparison with those to be made under the comprehensive foreign-aid programs. Moreover, the fibers to be shipped will be those for which there is no demand in this country—short-staple cotton and cotton waste, wools of coarser grades which now lie unused in the stocks of the Commodity Credit Corporation, and surplus mohair of which there are vast stocks still in the hands of domestic producers.

This is a very important bill. It is important from the broad standpoint of our foreign policy. It is important from the standpoint of our taxpayers. It will help materially to put the Japanese economy on a sound basis by restoring her production and by putting her back into normal channels of foreign trade. It is vital from the international political standpoint for the same reason that the foreign-aid programs are so vital. As we all know, there is no better safeguard than prosperity to stem the menacing tide of communism.

Mr. ELSTON. Mr. Speaker, will the gentleman yield?

Mr. VINSON. I yield to the gentleman from Ohio.

Mr. ELSTON. I have had some persons question whether or not this program might set up a plan which would compete with the textile industry in this country unfairly. Can the gentleman state whether or not it would do that?

Mr. VINSON. That question was raised when the committee was having its hearings. We have absolute assurance there will be no importations of textiles which will in any way interfere with American production.

The type of goods manufactured by the Japanese does not come in competition with American production. It will be sold out in the Malays, in China, and in that section of the world.

Mr. TOWE. Mr. Speaker, will the gentleman yield?

Mr. VINSON. I yield to the gentleman from New Jersey.

Mr. TOWE. Will the gentleman state for the benefit of the House whether or not the cotton and woolen producers as well as the converters in this country favor or disapprove this measure?

Mr. VINSON. The textile people had their representative before the committee. The wool industry had its representative. The type of wool that is used is not a kind that can be used in our looms here and the type of cotton that will be used is the low-grade cotton. So there is no competition and it is urged by the textile industry. They support this bill to aid the industry in Japan to get on its feet, if you please.

This bill will begin to save us money, it will put people back to work and help them rehabilitate themselves, which is the proper thing to do.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. VINSON. I yield to the gentleman from Indiana.

Mr. HALLECK. I may say that I have given considerable attention to this matter and I am convinced that in the interest of our country as well as the Japanese it ought to be enacted into law.

Mr. VINSON. I thank the gentleman.

(Mr. VINSON asked and was given permission to revise and extend his remarks.)

Mr. TOWE. Mr. Speaker, I yield 3 minutes to the gentleman from Kansas [Mr. SCRIVNER].

Mr. SCRIVNER. Mr. Speaker, I have requested this time to ask members of

the committee how this particular program works in connection with Government relief in occupied areas. Does it supplement it, is it in competition with it, or what?

Mr. VINSON. I may say that as the occupied area of Japan is under the jurisdiction of the Army, the administration of this will be by General MacArthur's headquarters.

Mr. SCRIVNER. We are doing just exactly that with some of these millions of dollars we are sending to Germany and Japan. We are using part of it for that purpose.

Mr. VINSON. This will have the effect of reducing that because they will not have to use any of that money for subsistence of the unemployed.

Mr. SCRIVNER. Nearly all of this stuff we are sending over there is being sold to those people. There is rolling around somewhere from seven to nine hundred million dollars in a revolving fund to do this very thing the gentleman is talking about.

Mr. VINSON. It is not for this purpose. It may be for some other purpose. It is not for textile purposes.

Mr. SCRIVNER. The gentleman feels if this program is carried out as now suggested, by this time next year this Congress should be called upon to appropriate less money for these occupied areas?

Mr. VINSON. Yes. If that could have happened immediately after VJ-day we would have saved a great deal of money.

The SPEAKER. The question is on suspending the rules and passing the bill.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

## GENERAL LEAVE TO EXTEND REMARKS

Mr. VINSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

## PROMOTION OF THE COMMON DEFENSE

Mr. SHAFER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 2554) to promote the common defense by providing for the retention and maintenance of a national reserve industrial productive capacity, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There being no objection, the Clerk read the bill, as follows:

*Be it enacted, etc.*, That this act may be cited as the "National Industrial Reserve Act of 1948."

### DECLARATION OF POLICY

SEC. 2. In enacting this act, it is the intent of Congress to provide a comprehensive and continuous program for the future safety and for the defense of the United States by providing adequate measures whereby an essential nucleus of Government-owned industrial plants and a national reserve of machine tools and industrial manufacturing equipment may be assured for immediate use to supply the needs of the armed forces in time of national emergency or in anticipation thereof; it is further the intent of the Congress that such Government-owned plants and such reserve shall not exceed in number or kind the minimum requirements for immediate use in time of national emergency, and that any such items which shall become surplus to such requirements shall be disposed of as expeditiously as possible.

### DEFINITIONS

SEC. 3. (a) The term "national industrial reserve", as used herein, means that excess industrial property which has been or may hereafter be sold, leased, or otherwise disposed of by the United States, subject to a national security clause, and that excess industrial property of the United States which not having been sold, leased, or otherwise disposed of, subject to a national security clause, shall be transferred to the Federal Works Agency under section 5 hereof.

(b) The term "excess industrial property," as used herein, means any machine tool, any industrial manufacturing equipment and any industrial plant (including structures on land owned by or leased to the United States, substantially equipped with machinery, tools, and equipment) which is capable of economic operation as a separate and independent industrial unit and which is not an integral part of an installation of a private contractor, which machine tools, industrial manufacturing equipment, and industrial plants are under the control of any executive department or independent establishment in the executive branch of the Government, including any wholly owned Government corporation and which are not required for its immediate needs and responsibilities as determined by the head thereof.

(c) The term "national security clause," as used herein, means those terms, conditions, restrictions, and reservations, heretofore formulated or as may be formulated under section 4 (2) hereof for insertion in instruments of sale or lease of property, determined in accordance with section 4 (1) to be a part of the national industrial reserve, which will guarantee the availability of such property for the purposes of national defense at any time when availability thereof for such purposes is deemed necessary by the Secretary of Defense.

SEC. 4. To effectuate the policy set forth in section 2 of this act the Secretary of Defense is hereby authorized and directed to—

(1) determine which excess industrial properties should become a part of the national industrial reserve under the provisions of this act;

(2) formulate a national security clause, as defined in section 3 (c) hereof and vary or modify the same from time to time in such manner as best to attain the objectives of this act, having due regard to securing advantageous terms to the Government in the disposal of excess industrial property;

(3) consent to the relinquishment or waiver of all or any part of any national security clause in specific cases when necessary to permit the disposition of particular excess industrial property when it is determined that the retention of the productive capacity of any such excess industrial property is no longer essential to the national security or that the retention of a lesser interest than that originally required will adequately fulfill the purposes of this act: *Provided*, That nothing in this subsection (3) shall require the modification or waiver of any part of any such national security clause when such clause is deemed necessary by the Secretary of Defense to effectuate the purposes of this act; and

(4) designate what excess industrial property shall be disposed of subject to the provisions of the national security clause.

SEC. 5. (a) In the event that any agency charged with the disposal of excess industrial property, after making every practicable effort so to do, is unable to dispose of any excess industrial plant because of the national security clause it shall notify the Secretary of Defense, indicating such modifications in the national security clause, if any, which in its judgment would make possible disposal of the plant. The Secretary of Defense shall consider and agree to any and all such proposed modifications as in his judgment would be consistent with the purposes of this act. If, however, such clause is not modified or the requirements thereof waived pursuant to section 4 (3), or if modified, such plant cannot then be disposed of under such modified clause, the Secretary of Defense shall direct that such plant be transferred to the Federal Works Agency, and such transfer shall be without reimbursement or transfer of funds.

(b) Notwithstanding any other provisions of law, any agency charged with the disposal of excess machine tools and industrial manufacturing equipment shall transfer custody of such machine tools and equipment as may be designated by the Secretary of Defense pursuant to section 4 hereof to the Federal Works Agency, without reimbursement, for storage and maintenance.

SEC. 6. Subject to provisions of section 7 hereof, the Federal Works Agency is hereby authorized and directed to accept the transfer to it of such excess industrial property as is directed to be transferred to it under section 4 hereof and, as and when directed or authorized by the Secretary of Defense pursuant to section 7 hereof, to utilize, maintain, protect, repair, restore, renovate, lease, or dispose of such property. Notwithstanding section 321 of the act of June 30, 1932 (47 Stat. 412; U. S. C., title 40, sec. 303 (b)), any lease may provide for the renovation, maintenance, protection, repair, and restoration by the lessee, of the property leased, or of the entire unit or installation when a substantial part thereof is leased, as part or all of the consideration for the lease of such property.

SEC. 7. The Secretary of Defense, with respect to property in the national industrial reserve, is authorized when he deems such action to be in the interest of national security—

(1) to establish general policies for the care, maintenance, utilization, recording, and security of such property transferred to the Federal Works Agency pursuant to section 5 hereof; and

(2) to direct the transfer without reimbursement by the Federal Works Agency of any of such property to other Government agencies with the consent of such agencies; and

(3) to direct the leasing by the Federal Works Agency of any of such property to designated lessees; and

(4) to authorize the disposition by the Federal Works Agency of any such property by sale or otherwise when in the opinion of the Secretary of Defense such property may be disposed of subject to or free of the national security clause provided for in section 5 hereof; and

(5) to authorize and regulate the lending of any such property by the Federal Works Agency to any nonprofit educational institution or training school when (a) the Secretary shall determine that the program proposed by such institution or school for the use of such property will contribute materially to national defense, and (b) such institution or school shall by agreement make such provision as the Secretary shall

deem satisfactory for the proper maintenance of such property and for its return to the Federal Works Agency without expense to the Government.

SEC. 8. As and when directed or authorized by the Secretary of Defense pursuant to the provisions of section 7 hereof, the Federal Works Agency shall after the date upon which transfer is directed pursuant to section 5 hereof provide for the transportation, handling, care, storage, protection, maintenance, utilization, repair, restoration, renovation, leasing, and disposition of excess industrial property.

SEC. 9. Nothing contained in this act shall be construed as authorizing the acquisition of any property for the national industrial reserve except from excess or surplus Government-owned property.

SEC. 10. The Secretary of Defense shall appoint a National Industrial Reserve Review Committee, which shall consist of not exceeding 15 persons to be appointed from civilian life who are by training and experience familiar with various fields of American industry, including shipbuilding, aircraft manufacture, machine tools, and arms and armament production. The members of such committee shall serve for such term or terms as the Secretary of Defense may specify and shall meet at such times as may be specified by the Secretary of Defense to consult with and advise the National Military Establishment. Each member of such committee shall be entitled to compensation in the amount of $50 for each day, or part of day, he shall be in attendance at any regular called meeting of the committee, together with reimbursement for all travel expenses incident to such attendance: *Provided*, That nothing contained in sections 41, 109, and 113 of the Criminal Code (U. S. C., title 18, secs. 93, 198, and 203); in Revised Statutes, section 190 (U. S. C., title 5, sec. 99); in section 19 (e) of the Contract Settlement Act of 1944 (Public Law 395, Seventy-eighth Congress); or in any other provision of Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim proceeding, or matter involving the United States, shall apply to such persons solely by reason of their appointment to and membership on such committee.

SEC. 11. It shall be the duty of the committee appointed under section 10 hereof to review not less often than once each year the justification for the retention of property in the national industrial reserve established hereunder and (i) to recommend to the Secretary of Defense the disposition of any such property which in the opinion of the committee would no longer be of sufficient strategic value to warrant its further retention for the production of war material in the event of a national emergency; (ii) to recommend to the Secretary of Defense standards of maintenance for the property held in the national industrial reserve; (iii) to review and recommend to the Secretary of Defense the disposal of that property which in the opinion of the committee could and should be devoted to commercial use in the civilian economy; and (iv) to advise the Secretary of Defense with respect to such activities under this Act as he may request.

SEC. 12. The Secretary of Defense shall submit to the Congress on April 1 of each year a report detailing the action taken by it hereunder and containing such other pertinent information on the status of the national industrial reserve as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

SEC. 13. Section 5 of the act approved August 5, 1947 (ch. 493, 61 Stat. 774), is hereby repealed.

SEC. 14. There are hereby authorized to be appropriated to the Office of the Secretary of Defense and to the Federal Works Administration, out of any moneys in the Treasury not otherwise appropriated, such sums as the Congress may, from time to time, determine to be necessary to enable the Secretary of Defense and the Federal Works Agency to carry out their respective functions under the act.

Mr. SHAFER. Mr. Speaker, S. 2554 is a bill to promote the common defense by providing for the retention and maintenance of a national reserve of industrial productive capacity. It is almost identical to a House bill, H. R. 6098, which has been unanimously reported to the House by the Armed Services Committee.

This is one of the most important defense measures to be presented to the Congress in this session. This bill, if passed, will preserve an essential nucleus of industrial plants and manufacturing equipment so necessary to the Nation in the event of an emergency.

The primary purpose of this bill is to establish a method of maintaining plants which cannot be disposed of subject to a national-security clause. This bill provides that after a disposal agency finds that it cannot dispose of any excess industrial plant with the national-security clause, then the Secretary of Defense may direct that such plant be transferred to the Federal Works Agency without reimbursement. Thereafter the Federal Works Agency, subject to the policy and standards established by the Secretary of Defense, shall maintain the plants and equipment in adequate standby condition so as to insure their readiness for use in the event of an emergency. It is contemplated that the Federal Works Agency would be authorized to utilize such facilities for storage purposes or other Government use, which would not affect the basic functions of the plant. Continuing efforts will be made to sell or lease these plants with appropriate security clauses imposed.

Under the provisions of Public Law 364, approximately 100,000 machine tools have been earmarked for the industrial reserve or transferred to the custody of the armed services. The proposed legislation permits the further selection of machine tools and industrial equipment excess to the needs of any Government department to be placed in the industrial reserve. It is estimated that the total industrial reserve of machine tools and equipment may eventually approximate 150,000 to 200,000 items.

It is anticipated that under the proposed legislation, the Federal Works Agency will be called upon to maintain about 60 industrial plants. These plants originally cost about $550,000,000. It will cost about 5 percent of original cost to place these plants in adequate stand-by condition, and thereafter about 1 percent per year for maintenance.

The entire cost of the project for fiscal 1949 will probably be about $36,000,000, and thereafter about $6,000,000 to $7,000,000 annually.

Mr. Speaker, I cannot overemphasize the importance of this legislation from a national defense viewpoint. In effect, all we are doing is keeping what we have so that if we are ever called upon to produce war material, we will not have to spend billions for rebuilding or repurchasing that which we already have.

This bill does not in any way impair the operations of private industry or the national economy, and I sincerely hope it will be accepted by the House.

The bill was ordered to be read a third time, was read the third time, and passed.

A similar House bill (H. R. 6098) was laid on the table.

A motion to reconsider was laid on the table.

## FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Carrell, one of its clerks, announced that the Senate had passed without amendment bills and joint resolutions of the House of the following titles:

H. R. 915. An act to confer jurisdiction upon the District Court of the United States for the Territory of Hawaii to hear, determine and render judgment on the claims of the executors and trustees of the estate of L. L. McCandless, deceased, as their interests may appear, against the United States of America;

H. R. 1076. An act for the relief of Chester O. Glenn;

H. R. 1733. An act for the relief of G. C. Hedrick;

H. R. 1780. An act for the relief of the Cannon Valley Milling Co.;

H. R. 2395. An act for the relief of the Cypress Creek Drainage District of the State of Arkansas;

H. R. 2696. An act for the relief of Otto Kraus, receiver of the Neafie & Levy Ship & Engine Building Co.;

H. R. 4103. An act for the relief of Charles M. Davis;

H. R. 4330. An act to authorize the Secretary of State to perform certain consular-type functions within the United States and its Territories and possessions;

H. R. 4367. An act authorizing the Hidalgo Bridge Co., its heirs, legal representatives, and assigns, to construct, maintain, and operate a railroad toll bridge across the Rio Grande, at or near Hidalgo, Tex.;

H. R. 4516. An act for the relief of the Moore Dry Dock Co., of Oakland, Calif.;

H. R. 4962. An act to provide pensions for certain widows of veterans of the Spanish-American War, including the Boxer Rebellion and the Philippine Insurrection;

H. R. 5252. An act to extend the time for commencing the construction of a toll bridge across the Rio Grande at or near Rio Grande City, Tex.;

H. R. 6186. An act for reimbursement of the Hawaiian Dredging Co., Ltd.;

H. R. 6634. An act to authorize the issuance of a special series of stamps in honor and commemoration of Moina Michael, originator of Flanders Field memorial poppy idea;

H. R. 6693. An act to authorize the course of instruction at the United States Naval Academy to be given to not exceeding four persons at a time from the Republic of the Philippines;

H. R. 6818. An act to amend title X of the Social Security Act (relating to aid to the blind) so as to provide greater encouragement to blind recipients thereunder to become self-supporting;

H. R. 6860. An act to amend the Federal Airport Act;

H. J. Res. 297. Joint resolution to increase the sum authorized to be appropriated for the presentation to Eire of a statue of Commodore John Barry;

H. J. Res. 428. Joint resolution providing an extension of time for claiming credit or refund with respect to war losses; and

H. J. Res. 429. Joint resolution relating to the marital deduction, for estate-tax purposes, in the case of life insurance or annuity payments.

appropriating $450,000 additional for REA administrative expenses. As reported from conference, the bill provides for liquidation of the War Assets Administration, as proposed by the House, but makes such liquidation effective Feb. 29, 1949, instead of Aug. 31, 1948, and appropriates $65,000,000 (House, $50,000,000; Senate, $90,000,000).

46. HOUSING. Discussed H. R. 6959, the House substitute for S. 866, the T-E-W housing bill, but took no action (pp. 9258-62, 9264-5). The subject was also discussed in the House (pp. 9276-7).

47. ECONOMY; PERSONNEL. Received reports from the Joint Committee on Reduction of Nonessential Federal Expenditures regarding employment, etc., in the various departments and agencies (pp. 9206-16).

48. PAY RAISE. Passed with amendment H. R. 6916, to provide for permanent postal rates and increase the salaries of certain P. O. employees (pp. 9245-57). Conferees were appointed in both Houses (pp. 9257, 9381-2). The Senate amendment provided for revision of the classification structure in the Classification Act; increases in salaries of certain department heads, etc.; elimination of the $10,000 ceiling; and a $360 increase in salaries of Classification Act employees.

49. FOREIGN RELIEF. Concurred in the House amendments to S. 2376, providing for a revolving fund for purchase of agricultural commodities to be processed in occupied areas and sold (pp. 9271-2). This bill will now be sent to the President.

50. INDIAN RESERVATIONS. Passed as reported S. J. Res. 162, to rescind certain Interior Department orders establishing Indian reservations in Alaska, except for land actually used, including certain forest lands (pp. 9268-70).

51. DISASTER LOANS. Concurred in the House amendment to S. 2877, authorizing additional disaster loans by RFC, with an amendment increasing the amount to $40,000,000 (p. 9228). The House concurred in this amendment to its amendment (p. 9355). This bill will now be sent to the President.

52. ARMY MILITARY APPROPRIATION BILL. Both Houses agreed to the conference report on H. R. 6771, this bill (pp. 9205-6, 9322-6). This bill will now be sent to the President.

53. TENNESSEE VALLEY AUTHORITY. Sen. McKellar, Tenn., inserted a letter defending his record regarding TVA (pp. 9257-8).

54. RECLAMATION. Sen. Watkins, Utah, inserted his statement criticizing the Bureau of Reclamation's record (pp. 9196-9).

The House

55. FOREST LANDS. /passed as reported S. 1243, providing for payment of certain national-forest receipts to the Warm Springs Indians, Oreg. (p. 9263). The Senate concurred in the amendments(p. 9199). This bill will now be sent to the President.

56. ALASKA DEVELOPMENT. Received from the Interior Department proposed legislation (1) to settle and extinguish land claims to the public domain in Alaska, and (2) to promote the settlement and development of the public domain in Alaska by facilitating the construction of necessary housing therein; to Interior and Insular Affairs Committee (pp. 9199-200).

HOUSE - June 19

57. ROAD AUTHORIZATIONS. Agreed to the conference report on H. R. 5888, authorizing additional appropriations for roads, including forest highways and forest development roads and trails (p. 9278). This bill will now be sent to the President.

58. FLOOD DAMAGE. Rep. Angell, Oreg., inserted a statement by this Department regarding recent agricultural flood damage in the Columbia Basin (pp. 9281-2).

59. CIVIL-SERVICE RETIREMENT. Concurred in the Senate amendment to H. R. 6651, to provide annuities for certain surviving spouses of annuitants retired prior to Apr. 1, 1948 (p. 9290). This bill will now be sent to the President.

60. MINERALS. Concurred in the Senate amendment to H. R. 4856, to delay liquidation of mineral interests reserved to the U. S. under the FHA Act (p. 9290). This bill will now be sent to the President.

61. TAXATION. Passed as reported H. R. 6712, to provide for revenue revision, to correct tax inequalities, and for other purposes (pp. 9290-322).

62. REMOUNT SERVICE. Passed without amendment S. 2698, to transfer certain Army horses to the New Mexico Military Institute, except those used in the Remount Service program (p. 9331). This bill will now be sent to the President.

63. INFLATION. Rep. Philbin, Mass., urged legislation to control the cost of living (pp. 9356-7).

64. SUGAR. Rep. Marcantonio, N. Y., discussed the economic situation in Cuba and Puerto Rico, particularly regarding sugar production, etc. (pp. 9384-8).

BILLS INTRODUCED - June 19

65. ALASKA DEVELOPMENT. H. R. 7001, to aid the settlement of Alaska and its development; to Public Lands Committee; by Rep. Welch, Calif. (p. 9392).
H. R. 7002, by Rep. Welch, to settle and extinguish land claims in Alaska; to Public Lands Committee (p. 9392).

66. PERSONNEL. H. R. 7003, by Rep. Wolcott, Mich., to provide for a cash allowance for uniforms for U. S. employees; to Post Office and Civil Service Committee (p. 9392).

67. SUGAR. H. R. 7004, by Rep. Marcantonio, N. Y., repealing Sec. 202 (e) of the Sugar Act of 1948; to Agriculture Committee (p. 9392).

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NOTE: The Congressional Record for June 19 does not include actions after 10:20 p. m. on that day. The next Record, which will include actions later that day and on June 20, will not be printed until Monday night, June 21, and will be available Tuesday morning. It is understood, however, that Congress took final action on the foreign-aid appropriation bill and the long-range farm program bill.

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the District of Columbia to Samuel O. Burdette;

H. R. 6452. An act to amend section 7 of the act entitled "An act making appropriations to provide for the Government of the District of Columbia for the fiscal year ending June 30, 1903, and for other purposes," approved July 1, 1902, as amended;

H. R. 6454. An act to amend the Civil Service Retirement Act of May 29, 1930, as amended, to provide annuities for certain Federal employees who have rendered at least 20 years' service in the investigation, apprehension, or detention of persons suspected or convicted of offenses against the United States;

H. R. 6507. An act to amend subsection 602 (f) of the National Service Life Insurance Act of 1940, as amended, to authorize renewal of level premium term insurance for a second 5-year period, and for other purposes;

H. R. 6598. An act to amend section 2 of the act entitled "An act to provide for insanity proceedings in the District of Columbia," approved August 9, 1939;

H. R. 6633. An act to authorize an exchange of lands and interests therein between the city of San Diego, Calif., and the United States, and for other purposes;

H. R. 6634. An act to authorize the issuance of a special series of stamps in honor and commemoration of Moina Michael, originator of Flanders Field memorial poppy idea;

H. R. 6698. An act to authorize the course of instruction at the United States Naval Academy to be given to not exceeding four persons at a time from the Republic of the Philippines;

H. R. 6818. An act to amend title X of the Social Security Act (relating to aid to the blind) so as to provide greater encouragement to blind recipients thereunder to become self-supporting;

H. R. 6822. An act to continue the authorization for the appointment of two additional Assistant Secretaries of State; and

H. R. 6860. An act to amend the Federal Airport Act.

## ACCOMPLISHMENTS OF THE EIGHTIETH CONGRESS

Mr. BALL. Mr. President, I ask unanimous consent to have printed in the final edition of the RECORD a statement which I am preparing, on the accomplishments of the Eightieth Congress.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AUTHORIZATION TO SUBCOMMITTEE OF COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS TO FILE INTERIM REPORTS DURING ADJOURNMENT PERIOD

Mr. FERGUSON. Mr. President, I ask unanimous consent that the Senate investigating subcommittee of the Committee on Expenditures in the Executive Departments, or the full committee, be authorized to file interim reports during the adjourned period of the Eightieth Congress, and that they be printed.

The PRESIDING OFFICER. Without objection, it is so ordered.

## JOHN THOMAS

[Mr. DWORSHAK, in accordance with the terms of S. Res. 212, agreed to April 1, 1948, submitted a statement prepared by him on the life, character, and public service of John Thomas, late a Senator from the State of Idaho, which appears in the Appendix.]

## HENRY CLAY—BIOGRAPHICAL SKETCH BY DAVID B. G. ROSE

[Mr. COOPER asked and obtained leave to have printed in the RECORD a biographical sketch of Henry Clay written by David B. G. Rose, of Louisville, Ky., which appears in the Appendix.]

## SPRINGTIME IN THE MAMMOTH CAVE NATIONAL PARK REGION—POEM BY MAURICE H. THATCHER

[Mr. COOPER asked and obtained leave to have printed in the RECORD a poem entitled "Springtime in the Mammoth Cave National Park Region," by Maurice H. Thatcher, former Representative from Kentucky, which appears in the Appendix.]

## PERMISSION FOR INSERTION OF MATERIAL IN APPENDIX

Mr. BRIDGES. Mr. President, I ask unanimous consent to insert in the final issue of the CONGRESSIONAL RECORD of the Eightieth Congress certain material which I now have in the process of preparation.

The PRESIDING OFFICER. Without objection, it is so ordered.

## EXTENSION OF TIME FOR INVESTIGATION OF APPOINTMENT OF POSTMASTERS

Mr. FLANDERS. Mr. President, I ask unanimous consent for the present consideration of Senate Resolution 264, which corrects an error in a date in the last paragraph of Senate Resolution 81, of the Eightieth Congress, agreed to June 17, 1947, authorizing an investigation of the appointment of postmasters.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The resolution (S. Res. 264) was read, as follows:

*Resolved*, That the last paragraph of Senate Resolution 81, Eightieth Congress, agreed to June 17, 1947 (authorizing an investigation of the appointment of postmasters) is hereby further amended by striking out the date "June 30, 1948" and inserting in lieu thereof the date "June 15, 1949."

Mr. FLANDERS. Mr. President, it is obvious that no investigation could be made and a report received as early as June 30, 1948. I therefore ask unanimous consent for the present consideration of the resolution.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

## FREE ENTRY OF CERTAIN ARTICLES IMPORTED TO PROMOTE INTERNATIONAL GOOD WILL

Mr. MILLIKIN. Mr. President, the House has passed House joint resolution 433, permitting the free entry of certain articles to promote international good will, and for other purposes. Normally it would be referred to the Senate Committee on Finance. Obviously there is no time to process the joint resolution. I have a message from the executive department of the Government urging that the joint resolution be acted upon, if that is at all possible. I send it to the desk and ask that it be read.

The PRESIDING OFFICER. The joint resolution will be read for the information of the Senate.

The joint resolution (H. J. Res. 433) permitting the free entry of certain articles imported to promote international good will, and for other purposes, was read the first time by its title and the second time at length, as follows:

*Resolved, etc.*, That any articles, including approximately 48 railroad cars and incidental equipment, certified by the Secretary of State as being donated in promotion of international good will by the people or Government of the Republic of France for sale for charitable purposes in the United States or for presentation, in the case of the railroad equipment, to noncommercial organizations in the United States may be entered, or withdrawn from warehouse, for consumption free of customs duties, fees, or charges, internal-revenue taxes, and marking or other import requirements or restrictions.

SEC. 2. This act shall be effective as to articles entered, or withdrawn from warehouse, for consumption on or after the date of its enactment and prior to the close of December 31, 1948.

Mr. SALTONSTALL. Mr. President, I ask the Senator from Colorado if he knows of any objection to the joint resolution.

Mr. MILLIKIN. I know of no objection to it. If there is objection, I shall immediately withdraw the request.

The purpose of the joint resolution is to permit the Republic of France to send some railroad equipment into this country and some incidental equipment which utlimately will either be given away or sold for charity in this country as a gesture of good will from the Republic of France to this country. I know of no objection to the joint resolution, and I ask unanimous consent for its present consideration.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution was considered, ordered to a third reading, read the third time, and passed.

## REVOLVING FUND FOR PURCHASE OF AGRICULTURAL COMMODITIES AND RAW MATERIALS

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 2376) for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold, which were, on page 1, to strike out lines 3 to 10, inclusive, and insert "That, notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including"; on page 3, line 18, after "report", to insert "to the Congress", and

on the same page, line 21, after "Congress", to insert "by concurrent resolution."

Mr. AIKEN. Mr. President, the House amendment provides a different means by which the Treasury will furnish the Army the money which is called for in the bill. I understand that the amendment will not permit the Army to secure this money at less than the actual cost to the United States. Therefore I move that the Senate concur in the House amendment.

Mr. BARKLEY. Mr. President, is this the bill about which the Senator spoke to me?

Mr. AIKEN. Yes; this is the revolving fund for the purchase of fibers within the United States to be sold in Japan and other occupied countries.

Mr. BARKLEY. Mr. President, I join in the request of the Senator from Vermont that the Senate concur in the House amendment.

Mr. AIKEN. I asked to have it held a little while this morning until I could get the opinion of the Comptroller General, but the amendment seems to be satisfactory.

Mr. BARKLEY. I appreciate the Senator's action.

Mr. KEM. Mr. President, are hides included in the amendment?

Mr. AIKEN. No. The bill is not changed otherwise than as indicated.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Vermont [Mr. AIKEN] to concur in the amendment of the House.

The motion was agreed to.

## ADDITIONAL REVENUE FOR THE DISTRICT OF COLUMBIA

Mr. SALTONSTALL. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1515, Senate bill 843, being a bill concerning the revenue of the District of Columbia.

Mr. JOHNSTON of South Carolina. Mr. President, I object.

Mr. SALTONSTALL. Mr. President, I have made a motion.

The PRESIDING OFFICER. The motion is in order.

The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 843) to provide additional revenue for the District of Columbia.

Mr. SALTONSTALL. Mr. President, I hope the Senate will now consider the bill.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Massachusetts.

Mr. JOHNSTON of South Carolina. Mr. President, this is a bill imposing a 2-percent sales tax on the people of the District of Columbia. It also exempts from income taxes the first $8,000 of income. In addition, there are personal exemptions. I want Senators to know that this is a Republican bill, out and out, for the big man. The little fellow pays the price. That is it, in a nutshell.

Let us see what is going to happen when we impose a sales tax in a congested district such as the District of Columbia. I know what I would do if I owned a store like Hecht's in the District. I would move over to Virginia, and sell over there, and save 2 percent on everything I sold. Hecht's now has a store in Maryland.

The main question is, Is it right in principle? It is claimed that additional revenue is needed for the District of Columbia. I intend to read the entire bill. I want Senators to know just what is in it, and I shall read it all. Then I shall read the report, to let Senators know what they are facing.

Mr. President, I will yield to no one, even for a question. Senators can sit here and listen. I now read from the bill:

That this act divided into titles and sections may be cited as the "District of Columbia Sales and Compensating Use Tax of 1948."

### TITLE I—SALES TAX

SEC. 1. Definitions: When used in this title the following terms shall mean or include:

(a) "Person". Includes an individual, partnership, society, association, joint-stock company, corporation, estate, receiver, trustee, assignee, referee, or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of individuals.

(b) "Vendor". Includes a person selling property or rendering services upon the receipts from which a tax is imposed under section 2 of this title.

(c) "Purchaser": Includes a person who purchases property or to whom are rendered services, receipts from which are taxable under section 2 of this title.

(d) "Receipt": The amount of the sale price of any property or the charge for any service specified in section 2 of this title, valued in money, whether received in money or otherwise, including all receipts, cash, credits and property of any kind or nature, and also any amount for which credit is allowed by the vendor to the purchaser, without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor, transportation or service cost, interest or discount paid, taxes paid, or any other expense whatsoever.

(e) "Sale" or "selling": Any transfer of title or possession or both, exchange or barter, license to use, license to consume, conditional or otherwise, in any manner or by any means whatsoever for a consideration, or any agreement therefor, and shall include the rendering of any service specified in section 2 of this title.

(f) "Tangible personal property": Corporeal personal property of any nature.

(g) "Retail sale" or "sale at retail": A sale to any person for any purpose other than for resale in the form of tangible personal property. A "sale or purchase at retail of tangible personal propety" shall also be deemed to include the sale of the services of producing, fabricating, processing, printing, or imprinting tangible personal property, to a person who directly or indirectly furnishes the tangible personal property, not purchased by him for resale, upon which such services are performed; other than the rendering of services in connection with the repair, alteration, or reconditioning of tangible personal property on behalf of the owner thereof to refit it for the use for which it was originally produced.

Mr. President, I am reading this bill because I want the people here tonight to know just what it is, and because it has so many details that will affect the people within the District of Columbia. The people will find that this bill will tax the little fellow every time. On small sales the proposed sales tax will sometimes run very high—not just 2 percent, but probably it will run as high as 8 or 10 percent, on small sales, catching the little fellow at every turn more and more, but letting out the big taxpayers. Of course, it will make no difference how big they are; they will get the $8,000 exemption to begin with. That is the Republican way of doing things.

I continue to read from the bill:

(h) "Semipubiic institution": Those charitable, educational, and religious institutions which are supported principally by public subscriptions or endowment or by appropriation made by the Congress of the United State and are not organized or operated for private gain.

(i) "Return": Inciudes any return filed or required to be filed as herein provided.

(j) "District": The District of Columbia.

(k) "Commissioners": The Commissioners of the District or their duiy authorized representatives.

(l) "Assessor": The Assessor of the District or his duly authorized representatives.

(m) "Coiiector": The Collector of Taxes of the District or his duiy authorized representatives.

(n) "Food": Cereais and cereai products; miik and miik products; candy and confectionery; ice cream and ice-cream products; meat and meat products; fish and fish products; eggs and egg products; vegetables and vegetable products; fruits, fruit products, and fruit juices; flavoring extracts, condiments, spices, and salt; sugar and sugar products; coffee and coffee substitutes; tea, cocoa and cocoa products; and ice when used for household consumption. "Food" shall not include spiritous or mait liquors, beer, soft drinks, and sodas and beverages such as are ordinarily dispensed at bars and soda fountains or in connection therewith, other than coffee, coffee substitutes, tea and cocoa.

Mr. President, I notice that something is said about whisky here. I wonder if Senators know that in the District of Columbia there is a tax of only 50 cents a gallon on whisky and 50 cents a barrel on beer. Still we are told that it is impossible to find any way by which to raise additional revenue for the District of Columbia, except by placing this proposed sales tax on the people who go out to buy clothes and shoes for little babies.

I continue to read:

SEC. 2. Imposition of tax: Beginning 60 days after approvai of this act but not prior to July 1, 1948, for the privilege of selling certain tangible personal property at retail as defined in this title and for the privilege of dispensing certain services as defined in this title, there is hereby imposed and there shall be paid a tax upon the amount of receipts from every sale of tangible personal property sold at retaii in the District, including services rendered in connection therewith, computed as follows:

(a) On each sale where the price is from 14 cents to 50 cents, both inciusive, 1 cent;

(b) On each sale where the price is from 51 cents to $1, both inciusive, 2 cents;

(c) On each 50 cents of price or fraction thereof in excess of $1, 1 cent.

The tax imposed by this section shali be paid by the purchaser.

The man who collects the tax should be prepared for an emergency. He should get a little box and put it by the cash register, so that every time he collects the tax he can put in in a box. He is going to have to pay that to the city. He must pay to the city the same amount

[Public Law 820—80th Congress]

[Chapter 718—2d Session]

[S. 2376]

AN ACT

To provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That, notwithstanding the provisions of any other law, the Secretary of the Army is authorized to issue notes from time to time for purchase by the Secretary of the Treasury, not to exceed in the aggregate outstanding at any time $150,000,000. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment of the purchase price of such notes and repayments thereof by the Secretary of the Army shall be treated as public-debt transactions of the United States. The proceeds of these notes shall be used by the Secretary of the Army, or his duly authorized representatives, as a revolving fund for the purpose of (a) purchasing natural fibers (including cotton waste) produced in the United States, and such other materials, including starch, dyestuff, roller leather, and card clothing as may be used in processing and finishing such fibers; (b) transporting such fibers and other materials to occupied areas, making them available for processing, and having such fibers processed in such areas; (c) insuring such fibers and materials and the products obtained from such processing; and (d) selling products obtained from such processing. In the case of wool, mohair, or flax fiber, only those types and grades shall be purchased hereunder as the Secretary of Agriculture, in the light of supplies on hand in the United States, designates as available for export; and stocks held by Commodity Credit Corporation of the types and grades so designated shall be purchased before other purchases are made of such types and grades. For the purpose of this Act an occupied area shall be considered as any liberated or occupied area, which is at the time, occupied by United States forces or such an area occupied jointly with another power or powers when it is considered by the Secretary of the Army to be necessary or desirable to include such an area, in order to carry out United States objectives: *Provided*, That a treaty of peace shall not have been ratified and confirmed for such an area.

Sec. 2. Neither the Secretary, nor any duly authorized representative, shall use the fund created by this Act for the purchase of any commodity unless, on the date of purchase of such commodity, it appears in his best judgment that within fifteen months after such date—

(a) such commodity will be processed, or used in processing operations, in an occupied area; and

(b) so much of the products obtained from such processing will be sold under such terms and for such currencies as will be necessary to cover, in United States dollars, (1) all amounts expended from the fund in connection with such commodity plus (2) an appropriate portion of the interest payable to the Secretary of the Treasury on account of loans made pursuant to this Act.

SEC. 3. The proceeds from the sale of products of commodities purchased with moneys from the fund, to the extent of the amounts specified in section 2, shall be returned to the fund.

SEC. 4. Annually after the date of enactment of this Act the Secretary of the Army shall make a complete report to the Congress with respect to the status of the fund. At such time as there shall no longer be any occupied area within the meaning of this Act, or at such earlier time as the President or the Congress by concurrent resolution shall determine that the fund is no longer required for the purposes of this Act, the unobligated balance of the fund shall be repaid to the Secretary of the Treasury; and the Secretary of the Army, as expeditiously as possible consistent with orderly liquidation, (a) shall cause to be sold so much of the commodities purchased with moneys from the fund and products thereof which are then on hand as may be necessary to obtain the amount of any balance then remaining owing to the Secretary of the Treasury on account of loans made pursuant to this Act, and (b) shall repay such amount to the Secretary of the Treasury.

SEC. 5. Fibers and other materials purchased for processing in any particular occupied area may, if a treaty of peace is ratified and confirmed with respect to such area prior to the processing of such commodities, be processed and sold, or sold, in such manner as the Secretary of the Army may deem to be in the best interest of the United States. If, after purchasing any such commodity with moneys from the fund, it shall appear to the Secretary of the Army that the product of such commodity cannot be sold for as much as the amounts specified in clauses (1) and (2) of section 2 of this Act the Secretary of the Army may sell such product for a lesser amount; but, insofar as may be possible, no commodities shall be sold for less than the amounts specified in clauses (1) and (2) of section 2 of this Act.

SEC. 6. So much of the commodities purchased with moneys from the fund for processing in any occupied area and so much of the products thereof as are not required to be sold, and so much of the proceeds obtained from the sale of any such commodities or products as is not required to be returned to the fund shall be used and disposed of by the Secretary of the Army, in such manner as he deems fit, for the benefit of the economy of such occupied area.

SEC. 7. In providing for the performance of any of the functions described in section 1 the Secretary of the Army shall to the maximum extent feasible utilize private channels of trade and is hereby authorized to make all necessary rules and regulations for the efficient implementation of the provisions of this Act.

Approved June 29, 1948.